

Burlington Department of Public Works Commission Meeting
Final Minutes, March 18, 2020
645 Pine St. – Main Conference Room

Commissioners Present: Tiki Archambeau (Chair); Brendan Hogan (Vice Chair, phone); Solveig Overby (phone); Peggy O’Neill-Vivanco (phone); Pablo Bose (phone); Jim Barr (phone)

Commissioners Absent: Pablo Bose

Staff: Director Chapin Spencer, Division Director – Water Resources Megan Moir (phone), Public Information Manager Rob Goulding (phone)

Public: City Councilor Sharon Bushor; Jonathan (Local Motion), Thomas Melloni

Item 1 – Call to Order – Welcome – Chair Comments

Chair Archambeau calls meeting to order at 6:40 pm and made opening comments. Chair appreciated everyone’s accommodations to address timely Commission business while keeping safely distanced during the Covid-19 pandemic.

Item 2 – Agenda

ACTION: To focus the Commissions efforts on the time-sensitive item, Commissioner Barr moves to adopt the agenda with Items 4, 6, 7 & 8 removed from the agenda. Commissioner Hogan seconds. Motion passes unanimously thru roll-call.

Item 3 - Public Forum

- Jonathan, Local Motion: Spoke about closure of southern portion of the Burlington Greenway. It will be a big disruption, and while we are supportive of the rehabilitation, we are concerned about the interim accommodations. Detour route must be safe. Working with Parks & DPW and doing outreach to businesses and Farmers Market.

Item 4 - Removed

Item 5 – Water and Wastewater Bond Approvals

Staff Presentation

- Division Director Megan Moir and bond counsel Thomas Melloni presented on the proposed Water and Wastewater borrowing and the associated resolutions in front of the Commission. They referred to the materials in the Commission packet (pages 21-43) in the packet. The proposed capital projects will improve the resiliency of the City’s water and wastewater systems. Timing is important as the process with State Revolving Fund monies takes considerable time and staff is eager to address upgrades to aging wastewater systems that failed during the summer of 2018 (disinfection system and the programmable logic controller). The two proposed bonds:

- \$1,094,000 Water Bond
 - Replacement and relining of water mains
- \$7,700,000 Wastewater Bond
 - Disinfection and wastewater infrastructure improvements at all 3 treatment plants
 - Remote wastewater infrastructure improvements – rebuild of two high-risk pump stations
 - Supervisory Control and Data Acquisition/Programmable Logic Control (SCADA/PLC)
 - Replacement and relining of the collection system
- Director Spencer, Division Director Moir and bond counsel Melloni explained the process and terms of the borrowing including the numerous benefits of putting the extra effort to go through the State Revolving Fund programs (lower admin/interest rates, don't start payments until a year after completion, potential extended terms and possible loan forgiveness). Division Director Moir corrected the loan principal forgiveness on the last chart on the last page of her memo is \$233,910, not \$465,408.

Commissioner Questions:

- Commissioner Barr thanked Megan for good presentation and had no questions.
- Commissioner Gillman said information was good.
- Commissioner O'Neill-Vivanco asked whether the Water Rate Study effort that the Commission will be reviewing later will impact any of what is being discussed today? Division Director Moir said they are interrelated. Bonding will require rate increases to cover the debt service but the water rate study provides options for how the burden of those payments are spread. There is the possibility to gradually increase rates if we go through the SRF program as initial payments would not begin until FY 22 at the earliest.
- Commissioner Hogan sought to clarify that the Commission and Council is authorizing a maximum amount to borrow, but staff is continually assessing and prioritizing based on real world financial conditions, correct? Megan confirms this is the case. Staff will evaluate the state of the economy and we don't have to borrow all the funds. The highest priority projects to advance are the SCADA & disinfection upgrades. SRF allows us to apply for loans individually as well so investments and associated borrowing can be phased.
- Commissioner Overby states support for projects and at the same time wants additional information as she has concerns that she wants answered regarding the terms, the option to use private bonding without additional public review, and making sure the details are clear as the City's recent audit management letter identified areas of improvement for borrowing. She referenced the communication she submitted prior to the meeting with a number of questions (see attached).
- - What are the comparative projected administrative and interest costs to the City for borrowing between using the state's revolving Drinking Water and Clean Water funds versus selling bonds through a private financial institution? Division Director Moir provided the following estimated combined administrative and interest costs.
 - See table last page.

- Why consider private bonding? Division Director Moir responded that all proposed projects are fully eligible for SRF. Private bond option is included as an option if we get to a place where some reason SRF doesn't work out, the department will have a backup option. That said, there is no intention today to abandon SRF process.
- Can you confirm where administrative and interest payments go? Why combined, not separated? Division Director Moir responded that the administrative rate and interest rate function as the same – an interest rate for the loan. As to why they are called different things and whether they go to different entities, she was not sure but promised to follow up on that. Commissioner Overby expressed interest to know where the money is going. A lot of money. Wants clear explanation of how the bonds will work, how the market works. Important to protect taxpayer money.
- Concerned with the language about ability for City staff to decide to go to private bond market, giving CAO power to make decision. Can objective criteria be added to this to allow CAO to move to private market versus state? Tom replied that City Council action has authority to approve, but given DPW is responsible for operations and implementation of water and wastewater systems, we like to have this come before the Commission. Reason we add in flexibility because there is a chance the SRF loan might not be available, whether it is unfunded or there is some hold on funds.
- Commissioner Overby said she is fine with a Plan B, but concerned there is no oversight and staff's decision is subjective. No ill will toward anyone, but specific criteria is necessary. Director Spencer states that the Department would be willing to offer an amendment for the bond resolutions that would require the City to come back and get further approval from the Commission if the City doesn't go through the SRF / Vermont Municipal Bond Bank. He read and emailed the following amendment to Commissioners: "If the Series 2020 Bonds are to be issued through a public offering and not through the Vermont Municipal Bond Bank or the State Revolving Loan Fund, then such issuance of the Series 2020 Bonds shall be subject to further approval by the Board." Commissioner Overby is supportive of the amendment.
- Regarding the proposed extra 10% Water Infrastructure Sponsorship Program (WISPr) portion of the bond borrowing, does DPW have a wish list for natural resources projects? A proposal for how you publicize this? Director Spencer says that we work with the State to find a good match for a natural resource in the region, but isn't exactly certain how the match is selected and can get more information if requested.

Public Comment:

- Councilor Bushor wanted to follow up on the linkages between these bonds and the Water Rate Study and what the annual payment will be. As a Board of Finance member, she would appreciate having that brought to Monday's meeting. Director Spencer said staff would come on Monday with that information, but for an order of magnitude understanding, a \$1,094,000 20-year water bond would have approximately a \$72K annual payment at 3% or approximately \$83K annual payment at 4.5%. A \$7,700,000 20-year wastewater bond would have approximately a \$467K annual payment at 2% or approximately a \$584K annual payment at 4.5%.

- Councilor Bushor stated that the total loan forgiveness needs clarity as she doesn't understand two different lines under the charts, what they reference and whether they should be combined. Chair Archambeau suggested staff get those answers and bring them to the Board of Finance.
- Councilor Bushor stated that she wanted to weigh in on private bond options. She agrees that it makes sense to go back to Commission to re-look at total package if the capital work cannot be financed through the SRF / Vermont Municipal Bond Bank. Councilor Bushor said she wants to reassure Commission that the Board of Finance also has their eye on this.

Commission Action:

- Commission Barr made the following motion to approve:
 1. The DPW Commission Supplemental Bond Resolution for Issuance of Water System Revenue Bonds, Series 2020, up to \$1,094,000 with the following amendment "If the Series 2020 Bonds are to be issued through a public offering and not through the Vermont Municipal Bond Bank or the State Revolving Loan Fund, then such issuance of the Series 2020 Bonds shall be subject to further approval by the Commission," and
 2. The DPW Commission Supplemental Bond Resolution for Issuance of Wastewater System Revenue Bonds, Series 2020, up to \$7,700,000 with the following amendment "If the Series 2020 Bonds are to be issued through a public offering and not through the Vermont Municipal Bond Bank or the State Revolving Loan Fund, then such issuance of the Series 2020 Bonds shall be subject to further approval by the Commission."
- Seconded by Commissioner O'Neill-Vivanco. Chair Archambeau conducted a roll call vote and the motion passed unanimously (6-0).

Items 6, 7 & 8 – Removed

Item 9 – Adjournment

- Commissioner Barr made a motion to adjourn, seconded by Commissioner Gillman. Chair Archambeau conducted a roll call vote and the motion passed unanimously. The meeting ended at 8:07PM

Payment and Borrowing Cost estimates different loan rates
 March 2020 Water and Wastewater borrowing approval

	Principal Loan Amount	20 year, 2 % (CWSRF rate and possible DWSRF rate)		20 year, 2.5% (possible DWSRF rate)		20 year, 3 % (Max DWSRF rate)		20 year, 4.5%	
		Estimated Annual Payment	total borrowing costs	Estimated Annual Payment	total borrowing costs	Estimated Annual Payment	total borrowing costs	Estimated Annual Payment	total borrowing costs
Wastewater Borrowing ¹	\$ 7,039,456	\$430,510	\$1,570,745					\$541,166	\$3,783,869
Water Borrowing	\$ 1,094,000	\$66,905	\$244,109	\$70,177	\$309,539	\$73,534	\$376,680	\$84,103	\$588,050

Note: The principal loan amount is conservative as it does not include the expected approximate \$516K reduction in principal due to loan forgiveness subsidy. It also does NOT include the extra WISPr sponsorship loan amounts as the WISPr program (estimated to be \$660,544 at this time) ensures that the sponsorship amount does not impact our borrowing costs and in fact reduces them by 0.1%.