

Introductory Remarks

In response to a query to present different road funding alternatives for Fiscal 2021, three different strategic plans have been prepared for consideration by the Select Board and Advisory Committee.

The nature of these plans range from just doing the minimum work using only available Chapter 90 funds to doing the currently planned amount of work which would be enabled by using borrowed funds as well as available Chapter 90 funds. These plans are entitled Mini, Midi and Robusto.

Under two of the projected plans, Mini and Robusto, the \$350,000 annual road allocation would be eliminated thereby boosting the Town's cash flow by that amount in Fiscal 2021.

Because projects are self contained costs and a bit "lumpy," the shifting of one or two projects can have an impact on spending in any fiscal year.

Of keen interest is the impact these plans will have on the Town's cash flow in Fiscal 2021 and the management of the Town's Chapter 90 account balances.

This presentation will lay out the outcomes of the three plans.

Select Board and Advisory Committee

March 17, 2020

Exploration of Culvert and Road Funding Options for Fiscal 2021

Goal: Present three different culvert and road funding alternatives for **Fiscal 2021**

Estimated time: Fourteen minutes

Factors Considered:

- Availability and management of Chapter 90 Funding.
- Strong interest in continuing momentum of doing yearly construction projects in order to keep up with the natural deterioration of bridge and road infrastructure.
- Based on input from Ben Metcalf, Highway Superintendent, the preferred project order is Leominster Road, Coal Kiln/Forslund Road culverts, section of Route 140 and construction engineering for Coal Kiln Road resurfacing.
- Possibility of borrowing for existing contracted projects: Highway Barn and Route 31/Mirick Road Culvert.

FY 2021 Plan Options

	Mini	Midi	Robusto
Annual Road Funding	No	\$301,634	No
Fiscal 2021 Cash Flow Impact	\$350,000 increase	\$48,366 increase	\$342,000 increase
Borrowing/Annual Cost	No/\$0	No/\$0	\$800,000/ \$96,000-\$83,200
Scope of Work	Limited	Moderately Broad	Broadest – as planned
Projected Chapter 90 FY21 Ending Balance	\$15,790	\$0	\$656,849

Mini

Key Feature: Total elimination of annual \$350,000 road funding appropriation

Result/Impact:

- All projects will be funded from Town's Chapter 90 account.
- Route 31/Mirick Road Culvert replacement will be funded from reserve balance of Chapter 90 funds.
- Reclamation and Repaving of 2,314 feet of Leominster Road will be funded from reserve balance and anticipated Fiscal 2021 Chapter 90 allocation.
- Reclamation and Repaving of 1,200 foot section of Route 140 funded by funds from Fiscal 2021 Chapter 90 allocation.
- Funding for engineering design services for Coal Kiln and Forslund Road will come from Fiscal 2021 Chapter 90 allocation.
- The project dropped from the current schedule will be:
 - Replacement of culverts and installation of subdrains on Coal Kiln/Forslund Roads. \$359,424 estimated cost.

The Math for FY2021

Resources

\$253,098	Carryover of unspent Chapter 90 Funds from Fiscal 2020
<u>340,477</u>	Potential Fiscal 2021 Chapter 90 allocation
\$593,575	Total available Chapter 90 monies for Fiscal 2021

Spending

\$239,651	Route 31/Mirick Road Culvert
185,120	Reclaim/Repave Leominster Road
51,014	Coal Kiln and Forslund Road Engineering
72,000	Reclamation and Repaving of Route 140
<u>30,000</u>	Construction Reserve
\$577,785	Total Projected Fiscal 2021 Spending
\$15,790	Net projected ending balance of Chapter 90 Funds Fiscal 2021

Midi

Key Feature: Reduce Town funding road allocation to level of \$301,634 from \$350,000.

Result/Impact:

- Two projects, Leominster Road and Coal Kiln/Forslund roads, will be funded, wholly or partially, from the Town road allocation.
- Route 31/Mirick Road Culvert replacement funded by Chapter 90 funds.
- Reclamation and Repaving of 2,314 feet of Leominster Road funded by Town allocation.
- Funding of engineering design services for Coal Kiln and Forslund Road will come from Chapter 90 allocation.
- Funding for replacement of culverts and installation of sub drains on Coal Kiln/Forslund Roads will come from Chapter 90 and Town allocations.
- The projects dropped from the current schedule will be:
 - Reclamation/Repaving of 1,200 foot section of Route 140.

The Math for FY2021

Resources

\$253,098	Carryover of unspent Chapter 90 Funds from Fiscal 2020
340,477	Potential Fiscal 2021 Chapter 90 allocation
<u>301,634</u>	FY 2021 Road Appropriation
\$895,209	Total Funds available for Fiscal 2021

Spending

\$239,651	Route 31/Mirick Road Culvert
185,120	Reclaim/Repave Leominster Road
<u>359,424</u>	Coal Kiln/Forslund Roads Culverts and Drainage
51,014	Coal Kiln and Forslund Road Engineering
<u>60,000</u>	Construction Reserve
\$895,209	Total Spending Fiscal 2021

\$0 Net projected ending balance of Chapter 90 Funds Fiscal 2021

Robusto

Key Features: Borrow \$798,832 to fund Highway Barn and Route 31/Mirick road culvert and bridge projects. Elimination of \$342,000 annual road funding allocation.

Result/Impact

- Removal of claims of \$559,181 and \$239,651, respectively, for the Highway Barn and Mirick Road projects on the Town's Chapter 90 reserve balance. These total \$798,832.
- The ending carryover balance in the Town's Chapter 90 account would be significant, \$656,849.
- Permits the completion of all scheduled projects for Fiscal 2021.
- Town would be borrowing at historically low interest rates; less than 1% for short-term temporary borrowing and approximately 2% for a ten year bond. Estimated potential long-term bond interest of \$8,000 come from Town allocation equal to \$8,000.
- Borrowing would spread out costs on projects that are expected to last six times longer than regular road repairs. Replacement structures are aluminum arches with an expected life of one hundred years.

The Math for Fiscal 2021

Resources

\$253,098	Chapter 90 balance carryover
559,181	Benefit from elimination of Chapter 90 claim for Highway Barn project
239,651	Benefit from elimination of Chapter 90 claim for Route 31/ Mirick culvert
<u>340,477</u>	Potential Fiscal 2021 Chapter 90 allocation
\$1,392,407	Potential available Chapter 90 funds

Spending

\$185,120	Reclaim and repave Leominster Road
72,000	Reclaim and repave Route 140
359,424	Coal Kiln/Forslund Road culverts and subdrains
51,014	Coal Kiln/Forslund Road road repavement engineering
<u>60,000</u>	Construction reserve
727,558	Total project spending
8,000	Bond interest
735,558	Total spending
\$656,849	Net Available Chapter 90 carryover end of Fiscal 2021.

Borrowing Math

Assumptions

- Any borrowing could piggyback on borrowing for PFAs. Because the minimum borrowing amount for a ten year bond is \$1.0 million, any long-term borrowing would have to be added to the amount borrowed for PFAs.
- Expenses for annual interest and principal payments could be charged to future road allocation.
- Payments for borrowing \$800,000 would amount to \$96,000 in the first year. Payments would drop by \$1,600 per year. The final payment would be \$83,200.
- The first principal payment under a long-term borrowing scenario would occur in Fiscal 2022.

Short-term Borrowing

Principal: \$800,000 Interest rate: 1% or less Maximum Term: Twelve months

Key feature: no interest and principal payments would be made until maturity of loan which could possibly be in Fiscal 2022. Therefore, there is a possibility of no interest or principal payments in Fiscal 2021. Final payment, if twelve months, would be \$808,000.

Long-term Borrowing

Principal: \$800,000 Interest rate: 2% Term: ten years, but 15 possible

Key features of ten year borrowing: interest only payment of \$8,000 in Fiscal 2021. First principal payment due in Fiscal 2022. Total yearly payments scale down from \$96,000 to \$83,200.

