

M E M O R A N D U M

TO: Town Commission

FROM: Howard Tipton, Town Manager

REPORT DATE: April 7, 2024

MEETING DATE: May 6, 2024

SUBJECT: Resolution 2024-15 Providing for Reimbursement of Capital Expenditures for Water and Wastewater Utility System from Future Tax-Exempt Financing Proceeds

Recommended Action

Pass Resolution 2024-15.

Background

In 2021, the Town adopted a multi-year Utility Rate increase in order to address identified critical utility infrastructure needs, which include two of the Utility's largest projects, the construction of a redundant Subaqueous Wastewater Pipeline across Sarasota Bay and Asbestos Cement Pipe Replacement within the Country Club Shores development.

Asbestos Cement Pipe Replacement Project. The Asbestos Cement Pipe Replacement Project is a multi-phase construction project, which involves the replacement of existing asbestos cement potable water mains and water services, including associated valves, hydrants, and service connections, with new, updated, and longer-lasting materials within the Country Club Shores development consisting of over 390 parcels. Phases 1 and 2 are under contract for construction at \$5.5 million and Phases 3 and 4 are estimated at \$3.5 million for construction. The first \$1.5 million of construction is being funded with a State grant. Phases 1 and 2 construction completion is anticipated around March 2025. Phases 3 and 4 construction are expected to start around May 2025 and should continue for no more than one (1) year and may be less.

Subaqueous Wastewater Replacement Project. As a result of the leak which occurred in 2020, approximately 6,400 linear feet of mainland 20-inch force main was slip-lined, which will significantly enhance the service life of the mainland portion of the force main. The Town received \$2.05 million in two State appropriations to assist with the funding of this project and the Town Commission approved a Town funded contribution of \$1.82 million to the project using General Fund surplus funds resulting from the American Rescue Plan Act. Another \$3 million is being applied for through a 2023 Omnibus Community Grant Program For the portion under Sarasota Bay and remaining mainland segments, the Town has completed preliminary design and permitting of a redundant subaqueous pipeline, which includes an open cut methodology of Sarasota Bay. Final design will begin in Spring 2024. A redundant line provides multiple benefits to a single pipeline. Project estimate is in the range of \$25.6 million to 28.7 million (+/- and

subject to construction bidding). Between these two major projects, the Utility system may need to borrow up to \$40 million. The actual amount borrowed will depend upon a review of other funding sources available to the Town and an analysis of rate impacts.

The Town's utility rates for water and wastewater service are structured to collect the necessary revenues to pay for Manatee County treatment charges; to meet annual operating and maintenance costs of the Town's water and wastewater infrastructure; to cover debt service for water and wastewater financing activities; to fund capital improvements to the Town's utility system infrastructure, and to maintain adequate operating fund and capital reserves.

The rate adjustments adopted in 2021, provided for annual 5% increases in the Town's portion of the rates each year over 5 years, plus any pass-through increases from Manatee County. Debt financing was anticipated for some of the critical capital needs and, to secure a loan or issue bonds, the Town must be able to show that a rate plan is in place to support the debt. The Town has monitored the financial requirements of the utility on an annual basis and is currently performing an updated rate review to confirm the level of rate support needed to meet current operations and necessary capital projects. This rate review will be presented during the upcoming Budget Workshops.

Because we have multiple funding sources available, through existing reserves, awarded grants as well as future grants, we currently plan to utilize short-term financing, which may include a bank line of credit and/or bond anticipation notes, as the projects are being constructed. This will allow the Town the opportunity to seek new grants and only borrow what we need, when we need it. The short-term financing(s) will then be refinanced through the issuance of long-term debt at the completion of the project or at a time when it is in the best interest of the Town to do so, such as when interest rates are more favorable.

The Town is also looking into eligibility under Florida's Clean Water State Revolving Fund Loan Program. This program is funded through money received from Federal Grants as well as State contributions. While these programs offer low interest loans, grant – like funding is also available if eligibility criteria are met.

The Town's bond counsel, Bryant Miller Olive P.A., has prepared the attached Resolution 2024-15 in anticipation of a future tax-exempt financing to assist in the funding of major Capital Expenditures associated with the Water and Wastewater Utility System. The Treasury Regulations regarding tax-exempt debt require a "Declaration of Official Intent to Reimburse" by a municipal bond issuer to enable the issuer to reimburse itself from the proceeds of a future tax-exempt financing. This Resolution constitutes the "Declaration of Official Intent" required by the regulations and will allow the Town to be reimbursed from tax-exempt debt proceeds for eligible costs associated with the project when the tax-exempt debt is issued. The Resolution is not an authorization to issue debt and does not obligate the Town to issue any debt. It only establishes the Town's ability to reimburse itself from future bond proceeds for eligible costs incurred before any such debt is issued.

Staff Recommendation
Pass Resolution 2024-15.

Attachments
Resolution 2024-15

RESOLUTION 2024-15

A RESOLUTION OF THE TOWN COMMISSION OF THE TOWN OF LONGBOAT KEY, FLORIDA ESTABLISHING ITS INTENT TO REIMBURSE CERTAIN CAPITAL EXPENDITURES INCURRED WITH PROCEEDS OF A FUTURE TAX-EXEMPT FINANCING TO IMPROVE THE WATER AND WASTEWATER UTILITY SYSTEM; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE TOWN COMMISSION OF THE TOWN OF LONGBOAT KEY, FLORIDA:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of the Constitution of the State of Florida, the Florida Constitution, Chapter 166, Florida Statutes, the Charter of the Town of Longboat Key, Florida, and other applicable provisions of law (collectively, the "Act").

SECTION 2. FINDINGS. It is hereby ascertained, determined, and declared that:

A. The Town Commission of the Town of Longboat Key, Florida (the "Issuer"), has determined that the need exists to incur debt to expend funds in the water and wastewater enterprise fund or other appropriate fund or account in order to acquire, construct, and erect improvements to the Issuer's water and wastewater utility system to be acquired, constructed, and erected in accordance with plans on file at the offices of the Issuer, as such plans may be modified from time to time (the "Project").

B. It is expected that the costs of the Project will be reimbursed by and financed with the proceeds of bonds, notes, or other debt obligations to be issued by the Issuer in the future.

SECTION 3. DECLARATION OF INTENT. The Issuer hereby expresses its intention to be reimbursed from proceeds of a future tax-exempt financing for capital expenditures to be paid by the Issuer for the purpose of acquiring, constructing, and erecting the Project. The Issuer expects to use funds on deposit in the water and wastewater enterprise fund, or other appropriate fund or account, to pay such costs including but not limited to capital expenditures, costs of design, and other costs associated with the issuance of debt. It is reasonably expected that the total amount of debt to be incurred by the Issuer with respect to the Project will not exceed \$40,000,000. This Resolution is intended to constitute a "declaration of official intent" within the meaning of Section 1.150-2 of the Income Tax Regulations which were promulgated pursuant to the Internal Revenue Code of 1986, as amended, with respect to the debt incurred, in one or more financings, to finance the Project.

SECTION 4. SEVERABILITY. If any one or more of the covenants, agreements, or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements, or provisions of this Resolution.

SECTION 5. REPEAL OF INCONSISTENT DOCUMENTS. All ordinances, resolutions, or parts thereof in conflict herewith, are hereby superseded and repealed to the extent of such conflict.

SECTION 6. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption by the Town Commission of the Town of Longboat Key, Florida.

Passed by the Town Commission of the Town of Longboat Key, Florida, this 6th day of May, 2024.

TOWN OF LONGBOAT KEY, FLORIDA

Kenneth Schneier, Mayor

ATTEST:

Trish Shinkle, Town Clerk

End of Agenda Item