

C M E M O R A N D U M

To: Town Commission

From: Howard Tipton, Town Manager

Report date: October 31, 2024

Meeting date: November 12, 2024

Subject: Ordinance 2024-11, Providing for the holding of a Referendum Election to determine if electors shall approve a State Revolving Fund (SRF) loan in an amount NTE \$33 million payable from the utility system revenues with a General Fund backup covenant to budget and appropriate revenues in order to construct a redundant Subaqueous Wastewater Force Main across Sarasota Bay to the Manatee County Southwest Water Reclamation Facility.

Recommended Action

Following first reading, forward to the December 2, 2024 Regular Meeting for second reading and public hearing.

Background

The Town of Longboat Key operates and maintains the wastewater collection system for the island. The system consists of 47 lift stations pumping effluent to the Town's primary lift station, Lift Station D, on Gulf Bay Road. From Lift Station D, the material is pumped approximately four (4) miles through the Town's force main to the Manatee County Southwest Water Reclamation Facility (SWWRF) located on 65th Avenue East in Bradenton. The Town's force main is a 20-inch ductile iron pipe installed in 1973 and was put into service in 1975.

The Town has received Florida Department of Environmental Protection (FDEP) and U.S. Army Corps of Engineers permits to open cut Sarasota Bay and install a redundant subaqueous force main under Sarasota Bay (the "Subaqueous Project"). As part of the permit conditions, the Town will also perform sea grass and mangrove mitigation within Sarasota Bay. Town staff proposes to use an estimate of \$33 million for the project amount to include final design, easement acquisition and construction, contingency and capitalized interest on the loan.

The Town's consultants, financial advisor and bond counsel reviewed the different long term financing options which included 20-Year Revenue Bonds, 30-Year Revenue Bonds and a loan through the State Revolving Fund Loan Program ("SRF") administered by the FDEP. The Commission approved moving forward with a Referendum at the March 2025 election cycle to pursue a low-interest loan through the SRF program which provides substantial savings over the Revenue Bond options.

Under the Town's charter, the Town may issue debt for its Water and Wastewater System without a referendum. However, in SRF loan agreements, there is certain standard language which requires that, when the utility revenues are not sufficient, the Local Government shall include in such budget other legally available non-ad valorem funds which will be sufficient, together with the Pledged Revenues, to make the Semiannual Loan Payments. Such other legally available non-ad valorem funds shall be budgeted in the regular annual government budget and designated for this purpose. Because of the need to "Budget and Appropriate" Other Legally Available Non-Ad Valorem Funds, Town's Legal Counsel considers that a Referendum is required for the Town's utility to secure an SRF loan.

The rate adjustments adopted in Resolution 2024-14, provided for a planned 8% increase in the Town's portion of the rates each year for Fiscal Years 2025 to 2027, plus any pass-through increases from Manatee County, followed by a 7% and 3% increase in Fiscal Years 2027 and 2028, respectively. These rates include the revenue required to make debt payments on a new 20-year loan needed to finance the Subaqueous Project. The Town must be able to show that a rate plan is in place to support the debt.

The Town has signed a preconstruction agreement with Garnet Construction to perform Construction Manager at Risk duties for the Project. The Referendum, if authorized by the Commission, will be held March 11, 2025. The Town will obtain necessary easements from Long Bar Pointe and the Florida Office of State Lands with a target construction start date in the Fall of 2025.

Staff and legal counsel will provide a presentation at the November 12, 2024, Special Meeting and answer any questions you may have.

Staff Recommendation

Following first reading, forward to the December 2, 2024 Regular Meeting for second reading and public hearing.

Attachments (Available in Town Clerks' Office)

- A. Ordinance 2024-11
- B. PowerPoint

End of Agenda Item