

# MEMORANDUM

TO: Hallowell City Council

FROM: George Lapointe

DATE: 6 November 2016

RE: Finance Committee / bonding discussion

Unfortunately, I will miss tomorrow's City Council meeting but wanted to relay the following information. This information is, in part, from the 27 October Finance Committee meeting, and it part from information since the meeting.

Hallowell City Council has discussed a bond package to be put before the voters to fund infrastructure projects in the city. At the May 2016 Council meeting, the bond package components contained in the table below were discussed, and the City Council voted to move ahead with the development of a bond package for further Council deliberations and, if approved by the Council, to be put before City voters in a special election in early 2017. If the bond is approved, the proposed special election would allow the bond to be issued with sufficient time for construction of some bond projects in 2017.

ITEM / DESCRIPTION	Est. Cost	Est. Timeframe	Notes
Water Street Reconstruction	550,000	2017-2019	Estimated cost from Highway Committee
Stevens School	500,000.00	2017	
Central Street Parking	300,000.00 Or <b>\$850,000.00</b> <b>(see attached sheet)</b>	2017	Estimated cost from earlier discussions. In addition to purchase price, an estimate of approximately \$550,000 has been received by the city
Outlet Road, Vaughan Road, Town Farm Road Reclamation	535,000.00	2017	
Plow Truck	125,000.00	FY17	

(Numbers revised based on new Highway Committee, DPW estimates)

The City now has information that development of the Central Street Parking area could cost up to \$580,000 for site development (see attached sheet)

Consideration needs to be given to a number of bond issues, including:

- 1) The length of the bonding period
- 2) What to include in the bond
- 3) Cost of the bond package
- 4) Justification for bond components
- 5) Issuance of a single bond or a number of bonds for various purposes.

These issues are discussed individually below.

### **1) Length of the bonding period**

In discussion with bond issuers and attorneys, the City has learned that a bond can't be issued for longer than the expected time period for which a bondable item will last, e.g. not bonding a truck beyond the expected life of the truck which is likely about 10 years.

This means that if the City of Hallowell wants to issue a 20 year bond, the plow truck cannot be a component of the bond package, and would likely need to be put on the capital expenditure list or in a separate, 10 year bond.

The Finance Committee thought that the plow truck should be taken out of the bond package, with potential funding using TIF funds. This would eliminate the decision of how to bond one item (the truck) with a shorter period and other items with a longer time period.

### **2) What components to include in the bond package**

Removing the plow truck from the list of bond components leaves the following remaining components:

a. Water Street reconstruction	\$550,000
b. Stevens School	\$500,000
c. Central Street Parking	\$300,000
d. Reclamation of Vaughan, Outlet, Town Farm Roads	\$535,000
e. Contingency	\$120,000

The estimated cost of Central Street Parking, in addition to purchase price, is very much higher than originally estimated, approximately \$850,000 as compared with earlier estimates of \$300,000. This includes \$50,000 for a public restroom but is still a significant increase which must be taken into account in bond planning and the decision to move ahead with the Central Street parking project.

There has also been discussion of adding a new fire station to the bond component list but this should not be considered until the Council decides on the future of Hallowell Fire Services. This

will happen after the Fire Services Committee completes its deliberations, makes a recommendation to City Council, and the City Council decides on a direction to proceed for City fire services.

The additional bond components that have been discussed are listed below.

Fire Station Construction and Truck	1050000	FY17	Proposed by FD
Second Street Station Repair	400000	FY17	Anticipated
Bathroom Downtown	80000	FY17	Proposed by City Manager

### 3) Timing of bond package

If we want to keep on schedule for a vote on a bond in February or March, City Council needs to have a recommendation from the Fire Services Committee and to decide which way the City will go with Fire Services. If the decision is to build a new fire station in Hallowell, that will add \$1,050,000 to the bond package which will significantly increase yearly borrowing costs.

The City also needs to decide on Central Street parking because of the new cost estimates for site development which are in addition to the purchase price of the property.

My sense is that we need to decide on these issues at the December Council meeting in order to approve the overall bond package as revised, have public meetings and discussion about the bond package, and allow enough time for a special election in February or March 2017.

### 4) Cost of the bond package

The proposed bond package will be a significant financial commitment for Hallowell taxpayers for many years. For example, a \$2.0 million dollar bond financed for 20 years will add \$130,639.01 to the City's annual budget.

It is also important to note that the current bond cannot be paid off until 2019 which means that the City will be obligated to pay for the current bond and for the proposed bond for two years. See the attached spreadsheet for City debt obligations.

## 5) Justification for bond components

Preliminary justifications for various bond components is:

### a. Water Street reconstruction

The reconstruction of Water Street in 2018 has long been discussed by the City of Hallowell, and City Council voted to move forward with the project in 2018. Much of the project's costs will be borne by Maine DOT but the City is responsible for some portion of overall project costs as well as optional items beyond the scope of the DOT project. This project is seen as vital to Water Street and Hallowell's economic health by modernizing infrastructure such as water and drainage, and to modernize the road itself (leveling, removing the pronounced crown), making sidewalks safer and improving sidewalk drainage to prevent ice buildup in the winter. These investments will ensure that Water Street is drivable, walkable, and safe for years to come.

### b. Central Street parking

Parking in downtown Hallowell is an ongoing issue with residents, visitors, and businesses saying that additional, close parking is vital to the long-term economic health of the City's downtown business district. Bond expenditures for Central Street parking will allow purchase of four lots on or adjacent to Central street, pending successful negotiations with the current owner, which would subsequently allow the Dummer House to be relocated to Second Street near the historical dentist office. This would then allow construction of 20-40 parking places in the center of Hallowell and close to Water Street.

This project could be done in 2017 so that off Water Street parking is available when Water Street reconstruction begins in 2018.

As noted above the cost of purchase and development of this project is significantly higher than previously estimated. The Council needs to have a discussion of whether this project should move ahead given the new cost estimates or find a way of getting project costs in line with the previous estimate of \$300,000.

### c. Stevens School road investment

Investment in the development of Stevens School through reconstruction of the "loop road" and spur to future development at the back of the property will support the following goals:

- i. Rehabilitation of Stevens School as a mixed-use planned development, in a manner consistent with the City of Hallowell Comprehensive Plan
- ii. Provide additional taxable property for City tax rolls
- iii. Allow development of a new neighborhood to Hallowell in an area that has been neglected for many years but that has significant growth potential

iv. Prevent the further deterioration of the Stevens School complex which, if allowed to continue, would negatively impact Hallowell through decay and becoming an attractive nuisance.

d. Reclamation of Vaughan, Outlet and Town Farm Roads

The surface of Vaughan, Outlet, and Town Farm Roads is uneven, has large cracks, and is breaking apart in numerous locations. Reclamation will remove the current pavement, rebuild the roadbed and repave for improved transit, safety, and road longevity.

6) Issuance of a single bond or a number of bonds for various purposes.

The City could opt to issue two bonds, one for public works and infrastructure projects, and one for the purchase of vehicles and other equipment with shorter lifespans, such as the proposed Public Works plow truck and the additional request for another super duty pickup truck that PW has proposed to the City Manager, but has not yet been brought forward to the Finance Committee.

The Finance Committee favors taking the plow truck out of the bond package and financing another way, e.g. TIFF, capital budget.



Central Street Parking Lot  
Hallowell, Maine  
Opinion of Probable Cost

Date: October 28, 2016  
Project No: 141.06035  
By: Stephen Bradstreet  
Checked by: Maureen McGlone

Item	Description	Unit	Unit Price	Option 1		Option 2		Option 3	
				Quantity	Cost	Quantity	Cost	Quantity	Cost
1	Parking Area	SF	\$10.00	7350	\$73,500.00	7350	\$73,500.00	6300	\$63,000.00
2	Bituminous Sidewalk	SY	\$75.00	125	\$9,375.00	125	\$9,375.00	125	\$9,375.00
3	Brick Sidewalk	SY	\$100.00	175	\$17,500.00	175	\$17,500.00	175	\$17,500.00
4	New Granite Curb (Type 1)	LF	\$40.00	700	\$28,000.00	700	\$28,000.00	700	\$28,000.00
5	New Catch Basin	EA	\$3,000.00	4	\$12,000.00	4	\$12,000.00	4	\$12,000.00
6	12" Stormdrain	LF	\$100.00	300	\$30,000.00	300	\$30,000.00	300	\$30,000.00
7	6" sanitary sewer service	LF	\$50.00	100	\$5,000.00	100	\$5,000.00	100	\$5,000.00
8	1" water service	LF	\$25.00	100	\$2,500.00	100	\$2,500.00	100	\$2,500.00
9	Landscaping	LS	\$10,000.00	1	\$10,000.00	1	\$10,000.00	1	\$10,000.00
10	Low retaining walls	SF	\$50.00	600	\$30,000.00	600	\$30,000.00	600	\$30,000.00
11	4"Loam and Seed	SY	\$9.00	200	\$1,800.00	200	\$1,800.00	200	\$1,800.00
12	Erosion Control	LS	\$2,500.00	1	\$2,500.00	1	\$2,500.00	1	\$2,500.00
13	10' x 15' Public Bathroom	LS	\$50,000.00	1	\$50,000.00	1	\$50,000.00	1	\$50,000.00
14	Security Lighting	LS	\$20,000.00	1	\$20,000.00	1	\$20,000.00	1	\$20,000.00
15	Water Quality Control	LS	\$10,000.00	1	\$10,000.00	1	\$10,000.00	1	\$10,000.00
16	Relocate House	LS	\$110,000.00	1	\$110,000.00	1	\$110,000.00	1	\$110,000.00
17	Mobilization 5%	LS	\$13,608.75	1	\$13,608.75	1	\$13,608.75	1	\$13,608.75
				Project Total Option 1:		Project Total Option 2:		Project Total Option 3:	
				\$425,783.75		\$425,783.75		\$415,283.75	
				20% Contingency:		20% Contingency:		20% Contingency:	
				\$85,156.75		\$85,156.75		\$83,056.75	
				Subtotal		Subtotal		Subtotal	
				\$510,940.50		\$510,940.50		\$498,340.50	
				5% Design		5% Design		5% Design	
				\$25,547.03		\$25,547.03		\$24,917.03	
				5% Permitting		5% Permitting		5% Permitting	
				\$25,547.03		\$25,547.03		\$24,917.03	
				<b>Grand Total Option 1:</b>		<b>Grand Total Option 2:</b>		<b>Grand Total Option 3:</b>	
				<b>\$562,034.55</b>		<b>\$562,034.55</b>		<b>\$548,174.55</b>	