LOCAL ROADS & INFRASTRUCTURE

BOND ANTICIPATION NOTE PROPOSAL

NOVEMBER 2024

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BAN MEMO: Infrastructure Bond Anticipation Note (BAN) Request – Road and Infrastructure Improvement Plan
From: Charlie Pearce, City Manager
Date: November 12, 2024

Background and Purpose

During the 2025 fiscal year budgeting process, it was determined that Ellsworth would benefit from spreading essential road investments across multiple tax years to enhance fiscal sustainability and alleviate immediate taxpayer burden. As one of Maine's largest cities, with 97.3 square miles to maintain, Ellsworth faces unique infrastructure demands. This proposal seeks Council approval to proceed with a Bond Anticipation Note (BAN) that will support high-priority road projects and address immediate infrastructure needs in coordination with planned state and federal partnerships. This approach not only helps alleviate deferred maintenance on key roads but allows for strategic phasing of investments essential to maintaining and improving the city's infrastructure.

Road Project Selection and Coordination

Ellsworth's infrastructure challenges, including a significant backlog of road repair and reclamation needs, have been addressed collaboratively. The roads selected in this BAN proposal were prioritized in partnership with the Ellsworth Local Roads Committee, Public Works and Highway staff, Finance Department, and the City Manager. The proposed projects include:

- High-traffic corridors essential for daily transit.
- Neighborhood roads experiencing severe disrepair.
- Environmentally significant routes that protect vital water sources.

Additionally, Ellsworth has joined the State of Maine's Municipal Partnership Initiative (MPI) for the Red Bridge Road project and is currently working on the next MPI initiative. Maine DOT is set to resurface much of the High Street and Surry Road corridors in Spring 2025, with the city committing funds toward associated water and sewer upgrades.

Additional Immediate Needs and Long-Term Planning

In addition to these initial projects, our Highway Department requires a replacement plow truck to ensure consistent road maintenance during winter and this BAN request includes funding for an environmental survey and legal work for the proposed Courthouse relocation project, should the Council choose to move forward with this option.

Furthermore, future road and infrastructure needs are being cataloged into a comprehensive Capital Improvement Plan (CIP), aligning with the city's long-term financial and operational goals. This CIP, a revival of the previous 1/5/10-year CIP required by charter, will rate and prioritize each road on a matrix to allow for data-informed decisions and strategic funding allocations.

Ellsworth is also actively pursuing various state and federal funding opportunities that could significantly reduce costs for local taxpayers. Our Economic Development and Planning teams are collaborating with programs like the Village Partnership Initiative and Thriving Communities Program, aiming to secure significant investment for revitalizing key areas, including the High Street and Main Street corridors. Additionally, a recent $200,000 grant from the Arbor Commission will enhance downtown aesthetics and provide essential shade cover.

Next Steps and Oversight

Upon Council approval, staff will begin procuring necessary quotes, following Ellsworth's procurement policy, and putting projects out for RFPs as appropriate. This winter deemed a "Pencils Up" period, will focus on streamlining project documentation, communications, and tracking for all city infrastructure projects, ensuring improved organization and transparency. A finance memo detailing funding specifics will accompany this proposal, and as final quotes are received, Council will be updated for further decision-making.

Conclusion

This BAN request represents a crucial step forward in executing a sustainable, transparent, and strategically planned infrastructure improvement plan for Ellsworth. With Council support, we will ensure that the city's growth and infrastructure demands are met responsibly, balancing immediate needs with long-term fiscal health and operational readiness.

Section 1

BAN Request Financial Overview

Finance Memo

To: City Council, City of Ellsworth
From: Nate Moore, Finance Director
Date: November 14, 2024
Subject: Analysis of City Bond Capacity

Introduction

This memo provides an analysis of the City of Ellsworth's current bond capacity, considering financial metrics, existing debt obligations, and projected revenue streams. Understanding our bond capacity will help guide future infrastructure investments and capital projects.

Current Financial Overview

1. **Total Assessed Value**:
    - Current 2024 State Valuation: $1,545,700,000
    - This figure serves as the basis for our tax revenue and overall borrowing capacity.
2. **Debt Service Limitations**:
    - According to state regulations, the City of Ellsworth can issue bonds up to a maximum of 15% of its assessed value.
    - Current allowable debt limit: $231,855,000
3. **Existing Debt Obligations**:
    - Current outstanding bonds: $25,586,949
    - Annual debt service payments: $2,073,961 (Includes Enterprise accounts)
    - Remaining bond term: 1-20 years.
4. **Debt Service Coverage Ratio**:
    - Annual revenues (e.g., municipal taxes, licenses/permits, etc.): $7,892,556
    - Annual debt service payments: $2,073,961 (Includes Enterprise accounts)
    - Debt Service Coverage Ratio = Annual Revenues / Annual Debt Service = 3.81
    - A ratio above 1.0 indicates that revenues are sufficient to cover debt obligations.

Projected Revenue Streams

- **Property Tax Revenue**: Projected growth of 5% annually.
- **Municipal Revenue**: Expected growth of 12% due to previous year-to-year trends.
- **Grant Opportunities**: Potential for state and federal grants for infrastructure projects.

Bond Capacity Calculation

Based on the above analysis:

1. **Maximum Bond Capacity**:
    - Allowable debt limit: $231,855,000
    - Less current outstanding debt: $25,586,949
    - Available bond capacity: $206,268,051
2. **Potential Projects**:
    - List of proposed projects and their estimated costs (e.g., infrastructure upgrades, public safety enhancements):
        - Plow Truck: $275,000
        - Local Roads: $2,100,000
        - Surry Road Water Main: $200,000
        - Potential Courthouse Access Road: $50,000
        - Capitalized Interest: $170,000
        - Total of all Projects: $2,795,000

Conclusion

The City of Ellsworth has a solid bond capacity that allows for strategic investment in infrastructure and public services. It is essential to consider both the current debt obligations and future revenue projections to ensure sustainable financial management. Further discussions with the City Council will help determine the best path forward for utilizing our bond capacity effectively.

Recommendations

- Schedule a meeting to discuss potential projects and funding strategies.
- Consider a detailed financial forecast for the next 5-10 years to assess long-term impacts on bond capacity.

Please feel free to reach out with any questions or for further clarification.

Best regards,
Nate Moore
Finance Director
City of Ellsworth
nmoore@ellsworthmaine.gov

City of Ellsworth
Total Debt Schedule

Fiscal Year	2006 DWSRF $238k/20yrs	2008 DWSRF $271k/20yrs	2009 CWSRF $1.19M/20yrs	2011 CWSRF $3.5M/20yrs	2012 CWSRF $245k/20yrs	2015 GOB $14.27M/25yrs	2016 GOB $1.4M/10yrs	2017 DWSRF $1.04M/20yrs	2019 GOB $3.05M/10yrs	2020 DWSRF $953k/20yrs	2023 GOB $3.45M/20yrs	TOTAL	GEN FUNDS ONLY
2025	8,485.50	14,956.00	62,671.04	77,636.82	13,962.64	936,131.25	158,950.05	61,744.61	352,302.90	57,780.16	337,723.16	**2,082,344.13**	**1,151,043.71**
2026		14,956.00	62,671.04	76,759.24	13,833.95	685,625.00	317,777.60	61,200.60	342,950.32	57,279.91	330,693.46	**1,963,747.12**	**1,155,089.50**
2027		14,956.00	62,671.04	75,881.66	13,705.27	670,925.00		60,656.60	333,597.74	56,779.66	323,937.07	**1,613,110.04**	**817,064.32**
2028		14,956.00	62,671.04	75,004.11	13,576.59	656,225.00		60,112.60	324,245.16	56,279.40	317,300.94	**1,580,370.84**	**796,887.85**
2029			62,671.04	74,126.53	13,447.90	641,525.00		59,568.59	314,892.58	55,779.14	310,708.54	**1,532,719.32**	**776,737.23**
2030				73,248.98	13,319.21	626,825.00		59,024.58		55,278.88	254,882.00	**1,082,578.65**	**421,934.82**
2031				72,371.40	13,190.52	612,125.00		58,480.58		54,778.62	249,822.33	**1,060,768.45**	**412,043.07**
2032					13,061.83	596,812.50		57,936.58		54,278.36	244,745.79	**966,835.06**	**401,853.86**
2033					12,933.14	580,887.50		57,392.57		53,778.09	239,627.08	**944,618.38**	**391,352.22**
2034						564,350.00		56,848.56		53,277.83	234,457.78	**908,934.17**	**380,533.15**
2035						542,287.50		56,304.56		52,777.57	211,794.03	**863,163.66**	**354,169.74**
2036						304,250.00		55,760.60		52,277.30	206,477.92	**618,765.82**	**122,088.86**
2037						295,150.00		55,216.58		51,777.04	200,764.28	**602,907.90**	**118,710.42**
2038						280,500.00		54,583.67		51,276.78	194,712.81	**581,073.26**	**115,132.24**
2039						270,300.00				50,776.52	188,402.86	**509,479.38**	**111,401.22**
2040						260,100.00				50,276.26	181,900.19	**492,276.45**	**107,556.23**
2041											175,241.07	**175,241.07**	**103,618.74**
2042											168,459.52	**168,459.52**	**99,608.86**
2043											161,596.35	**161,596.35**	**95,550.73**
2044											154,650.05	**154,650.05**	**91,443.44**

POSSIBLE 20-YEAR BOND AMOUNTS**

Fiscal Year	$4M	$6M	$8M	$10M	$12M
2026	388,000.00	582,000.00	776,000.00	970,000.00	1,164,000.00
2027	380,000.00	570,000.00	760,000.00	950,000.00	1,140,000.00
2028	372,000.00	558,000.00	744,000.00	930,000.00	1,116,000.00
Mil Increase	0.26	0.39	0.52	0.65	0.78

**Please note that bond amounts are approximates

BAN Project Summary List

November 2024 Infrastructure Planning Proposed Projects

Total BAN Cost

$2,795,000

BAN Life

1 Year

Project Requests

	Amount	Description	Useful Life (years)
$	2,100,000	Local Roads	10
$	275,000	Plow Truck	10
$	50,000	Courthouse Environmental Survey and Legal Work	1
$	200,000	Surry Road Contingency	20

Capitalized Interest

$ 170,000

Total of All Projects and Capitalized Interest

$2,795,000

Section 2

Project Requests

Local Roads Project

November 2024 Infrastructure Planning Proposed Project

Project Cost
$2,100,000

Useful Life
10 Years

Project Detail

The City of Ellsworth proposes to fund essential local road projects through a Bond Anticipation Note (BAN) cycle. The goal is to secure funding early, allowing us to issue bids in the winter when contractors are actively seeking work. This shift from the typical late summer or early fall bidding will enable projects to begin promptly in the spring, maximizing the road work season and improving overall project efficiency.

This BAN funding approach aims to address significant projects such as:

- Either a mill and fill or major reclamation on Foster Street, planned for 2024.
- Surface and shim treatments on Elm Street, Happytown Road, and others scheduled for 2025.
- Major reclamation, grading, and paving on Grant Street and Boggybrook Road, as detailed in the City of Ellsworth Work Plan for Local Roads.

Justification & Useful Life

These road improvements are critical for maintaining safe and reliable infrastructure in Ellsworth. Many of the roads listed require immediate attention to prevent further deterioration, which would lead to higher repair costs in the future. With an anticipated useful life of 10 years, these projects will ensure that our local roads meet safety and operational standards, supporting daily transportation and economic activities.

Timeline of Expected Project Start & Completion

We aim to include this initiative in the fall 2024 BAN cycle, with bidding to occur in winter 2024-2025. Work on projects is expected to commence in spring 2025, ensuring that all targeted roads are completed by the end of the 2025 construction season.

Estimated Project Costs

The projected costs for the planned road improvements are approximately **$1,896,338** as per the detailed work plan. Financing over a 20-year period is recommended to minimize the annual fiscal impact. This extended period of financing will allow the City to manage these necessary improvements with minimal impact on the yearly budget while ensuring that the roads meet long-term infrastructure needs.

Estimated Project Costs & Scope of Work continued on next page.

Estimated Project Costs (Continued)

Road	Scope of Work	Bond	Start Year
Foster Street: Option 1	Mill and Fill 2" on Foster St.: 24' x 2157, 656 Tons one lift of 12.5M.	$ 87,904.00	2025
Foster Street: Option 2	Reclaim, grade, pave	*not yet quoted	2025
Elm Street	Surface Elm Street: 22' X 910'; 184 Tons @ 1.5" (MILL 1.5").	$ 24,656.00	2025
Happytown Road	Shim Happytown: 23' X 4300', 302 Tons @ 1/2"; Surface: 604 Tons @ 1".	$ 123,216.00	2025
Grant Street (Upper)	Reclaim, grade, pave 2" binder & 1.25" surface.	$ 195,750.00	2025
Grant Street (Lower)	Reclaim, grade, pave 2" binder & 1.25" surface.	$ 105,000.00	2025
Western Ave./Holt/Argon	Shim and Surface work.	$ 43,870.00	2025
Hancock Street	Shim and Surface work.	$ 21,490.00	2025
Red Bridge Road	Shim and Surface (Sections 1 & 2).	$ 151,352.00	2025
Birch Street	Shim, Surface, and Curbing.	$ 38,360.00	2025
Maddocks Ave.	Shim and Surface work.	$ 47,100.00	2025
Boggybrook Road	Reclaim and pave 3".	$ 167,500.00	2025
Bayview	Shim and Surface work.	$ 25,420.00	2025
Industrial	Pave 3".	$ 21,440.00	2025
Handwork butt joints	Driveway entrances.	$ 35,000.00	2025
Milling	General milling.	$ 56,875.00	2025
Mobilization	Project mobilization.	$ 20,000.00	2025
Happytown/Winkumpaugh	City grading & paving up to end of pavement.	$ 184,375.00	2025
Gary Moore Rd.	Reclaim and binder 2" of 12.5MM.	$ 282,000.00	2025
Gary Moore Rd.	Surface 1" 9.5MM.	$ 136,000.00	2025
Harbor Park Parking Lot	Pave 2" 12.5MM over existing	$90,750.00	2025
Harbor Park Parking Lot	Pave 2" 12.5MM over Gravel Section	$38,280.00	2025

Alternative Courthouse Location Road Environmental Review

November 2024 Infrastructure Planning Proposed Project

Project Cost
$50,000

Useful Life
1 Year

Project Detail

Payment for the environmental review survey, easement legal study and preparation, and associated costs for access road development.

Justification & Useful Life

An environmental survey and legal assessment are underway to evaluate the feasibility of establishing lighted road access to a proposed Ellsworth Courthouse location. By conducting this groundwork, the project aims to facilitate the courthouse relocation while potentially boosting property values along the route and fostering development in surrounding areas.

Timeline of Expected Project Start & Completion

The environmental review survey will be conducted once a surveyor is contracted, while the easement study will begin immediately.

Highway Department Plow Truck

November 2024 Infrastructure Planning Proposed Project

Project Cost
$275,000

Useful Life
10 Years

Project Detail

The Highway Department would like to bond for a new plow truck. This is being requested as part of our normal truck rotation schedule.

Justification & Useful Life

The Highway Dept. has a fleet of plow trucks to take care of snow removal during winter months. The trucks are expensive and work in extremely harsh conditions. It is necessary to track the life cycle and condition of these vehicles for timely replacement. This truck will replace one of the older worn out trucks in the fleet. This truck, depending on use, maintainence, and durability could have a useful life up to 10 years.

Timeline of Expected Project Start & Completion

I would like to include this in the fall of 2024 Bond Anticipation Note cycle so we may order it and have it in use by the winter of 2024. This is one of two trucks that became available this year ready to go. One has already been sold and this one is being held for us.

Suggested Vendor

Daigle Houghton

Quotes Received From Vendors

Amount	Vendor	Description	Expires
$ 256,000.00	Daigle & Houghton	Fully oufitted plow truck with plow, wing and sander	12/12/2024
$ 300,000.00	Colwell Diesel	Fully oufitted plow truck with plow, wing and sander	

Surry Road Water Main Contingency

November 2024 Infrastructure Planning Proposed Project

Project Cost
$200,000

Useful Life
20 Years

Project Detail

Contingency funding was not set aside for the Surry Road Water Main project.

Justification & Useful Life

This potential source of contingency funding will ensure the project is fully funded if additional unplanned expenses occur. Water mains have the potential to remain in service beyond 20 years.

Timeline of Expected Project Start & Completion

This will support the project beginning in the Spring of 2025.