

**CITY COUNCIL MEETING**

**AGENDA ITEM VIII**



**CITY OF FRANKLIN  
COUNCIL AGENDA REPORT**

May 6, 2013

**From:** Brian J. Sullivan, Municipal Services Director

**Subject:** City Council to conduct a Public Hearing and then consider adopting Resolution # 09-13. A Resolution authorizing the borrowing of additional funds under the State of New Hampshire, Department of Environmental Services (NHDES) Drinking Water State Revolving Fund (DWSRF) for the purpose of completing replacement of water mains in Kimball Street, Lawndale Avenue, Route 11 and Chance Pond Road, otherwise known as the "Loop Project".

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**Recommended Motion:**

1) Councilor Moves: "I move that the Franklin City Council adopt Resolution # 09-13 beginning by roll call vote."

2) Mayor calls for a second and the vote.

**Discussion:** In February of 2012, the Franklin City Council voted unanimously to adopt Resolutions # 06-12 and # 07-12. These Resolutions authorized borrowing under the State of New Hampshire DWSRF in the amount of \$3,030,000. The purpose of borrowing under this DWSRF program is to replace two West Franklin Water Tanks and antiquated water mains within the so-called loop of Route 11, Lawndale Avenue, Kimball Street and Chance Pond Road.

Resolution # 09-13 authorizes the borrowing of an additional \$340,000, by means of an amendment to the original grant / loan agreement. This amendment continues with a forty percent grant / forgiveness rate that is available to the City in the original grant agreement.

I have attached the January 23, 2012 Council Agenda Report, as part of your back-up information, in order to give you some historical background as to why and when the original grant / loan agreement was approved.

**Concurrences:** The State of New Hampshire DWSRF program provides low interest loans accompanied with grant forgiveness. This project is consistent towards accomplishing the goals of this program. At their meeting of April 10, 2013, the Municipal Services Committee voted unanimously to send a positive recommendation to the City Council to borrow an additional \$340,000, by amending the original grant / loan agreement. This project ranks as a high priority in the Water Department Capital Improvements Plan.

**Fiscal Impact:** Attached with the Resolution is a revised debt service schedule and amendment to the original grant / loan agreement. The additional \$340,000 to be borrowed equates to another \$2,000 per monthly payment for the twenty year life of the loan. The final cost for the projects is \$3,370,000 of which \$1,348,000 is grant forgiveness.

Funding for the debt service on this loan will be derived from current Water Department loan and bond payments due to expire in F.Y. 2014, with a small amount coming from retained earnings. Payments will begin in FY 2015 and will not require a rate increase.

**Alternatives:** Based on bids received in February of 2013, for the various water main projects, we are short \$340,000. This additional funding is needed if we are to complete the total replacement of 8600 linear feet of new 12" water main identified as the loop. This new pipeline will deliver a greater volume of water at higher pressures to West Franklin, improving fire flows and water quality to many parts of the West Franklin service area.

I would encourage the City Council to authorize passage of Resolution # 09-13. The opportunity to complete such an important high priority capital project under a very favorable bid climate, while interest rates are so low with grant forgiveness at forty percent, may not be experienced again any time soon. With the support of the Mayor and City Council, all of us have accomplished a great deal of work towards improving the City's public water system, obtaining \$4,924,000 million dollars in grant funding towards \$10,582,000 dollars worth of Water Department projects!

**Attachments/Exhibits:**

- Resolution # 09-13
- Council Agenda Report dated January 23, 2012
- NHDES / DWSRF Loan Schedule
- Amendment # 1 to the original loan agreement for DWSRF project # 0851010-03



**CITY OF FRANKLIN  
COUNCIL AGENDA REPORT**

January 23, 2012

**From:** Brian J. Sullivan, Municipal Services Director

**Subject:** City Council to consider the adoption of Resolutions #06-12 and #07-12. Resolutions authorizing the Mayor, City Council and City Manager to borrow from the State of New Hampshire, Drinking Water State Revolving Loan Fund (DWSRF) for the Salisbury Road/North Main Street Water Storage Tank(s) Replacement Project.

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**Recommended Motion:**

- 1) Council Moves: "I move that the Franklin City Council adopt Resolutions #06-12 and #07-12 beginning by role call vote.
- 2) Mayor calls for second and the vote.

**Discussion:**

My apologies for revisiting this evolving situation at such a short notice however there remains an opportunity to still secure funding through the State of NH, DWSRF Program. This is an extremely important subject which is time sensitive.

Subsequent to the December 19, 2011 City Council vote not to move forward with the Cross Street Water Storage Tank Replacement Project associated with the State of NH, NHDES, DWSRF loan/grant funding, I have requested that NHDES reconsider allowing the city to use of a portion, or possibly all of the original \$3,030,000 project allocation for an alternative water storage tank project(s). NHDES has agreed to evaluate funding the replacement of the Salisbury Road and North Main Street water storage tanks which are both situated in West Franklin.

On Friday December 30, 2011, I received a call from the NHDES staff advising us that DWSRF funds are potentially available to use towards replacement of one or both of the West Franklin water storage tanks. Loan financing in the amount of approximately \$3,030,000 includes the City's eligibility for principal forgiveness equal to up to forty percent of the loan amount. Forty percent forgiveness (grant) on a \$3,030,000 project/loan equates to \$1,212,000.

Both of the two 500,000 gallon water storage tanks in West Franklin are of concrete construction and were erected in the early 1960's. Because of their age and deteriorating condition, both have been identified to be in need of replacement. The existing tank sites with the same tank elevations can be utilized thus, reducing combined project costs coupled with the possibility of eliminating one of the tanks in the future.

In order for us to secure funding, file a final loan application and initiate the required environmental review, action on Resolution # 06-12 and #07-12 must be taken. These resolutions authorize the City Manager to submit the DWSRF loan application as well as, the authorization to borrow funds from the State of New Hampshire, DWSRF program.

Janet Levy, the City's Water Department Consulting Engineer, has completed work on hydraulic modeling and a cost-benefit analysis with regard to tank type, modifications to the existing West Franklin water distribution system and the possibility of constructing one 750,000 tank on the present Salisbury Road tank site and downsizing or eliminating altogether the North Main Street tank. Her results have been included as an attachment to this agenda report. Preliminary estimates for the replacement of both tanks each at their current capacity of 500,000 is at \$2,710,000 excluding a construction contingency which will bring it to \$3,030,000. The estimate is not based on bid prices nor any necessary changes to the City water distribution system which affect the two tanks. The \$3,030,000 being requested is a not to exceed amount for the project. Final project costs are not available until design and bidding is complete. As you will see in the fiscal impact section of this report the Finance Director will explain the funding options available to the city Council with no impact on increasing water rates.

Based on action positive action taken by the City Council, NHDES has agreed to continue to reserve the funding for the City, but expects a decision regarding the City's commitment to borrow by the end of January. If positive action is not taken at that time then chances are this project will be removed from their funding list. I must mention the extraordinary patience and cooperation the NHDES staff has had working with City Staff over these past eight months.

**Concurrences:**

The City has performed several water system studies with regard to its current and long-term capital needs. The studies identify the eventual need to replace both West Franklin water storage tanks. This project has been and continues to be identified in the Water Department Capital Improvements Program. Given the availability of this type of funding it can be considered a high priority project.

**Fiscal Impact:** Attached please find a Bonding Info Sheet updated 1/9/12. If the Council approves the not to exceed 3,030,000 loan/grant, the highest amount that will be bonded is \$1,818,000 at 40% forgiveness. At the current 3.104% interest rate quoted by the State of New Hampshire Department of Environmental Services, a 20 year bond would equate to an average annual payment of approximately \$120,000.

As the Council is aware, the Water fund has \$91,250 in existing bond payments that will expire in 2014. In addition, the City has recently closed on the Water Treatment Facility bond through the United States Rural Development. That bond payment is significantly lower than expected because the interest rate is lower than first estimate and the bond is a thirty year bond but was originally estimated as a 20 year bond. The actual average payment for the Water Treatment Facility bond is \$172,000. The City has been using a \$240,000 place holder for this payment during our annual budget process.

Between the \$91,250 expiring bonds and the approximately \$68,000 difference between the place holder and actual Water Treatment Facility bond (240,000-172,000), the City has enough capital to fund this project without using existing working capital or rate increase. This leaves the City options for other necessary projects in the near future.

In summary, this is a unique opportunity to accomplish a major high priority capital project with a significant grant amount towards the total cost, while using expiring Water Department bond payments and existing debt service budget place holder to fund a new project. By doing so, this will have no impact on current water rates.

**Alternatives:** Should the City Council decide not to approve the two resolutions, NHDES will not be able to retain a funding slot for this project and it will be removed from the DWSRF project priority list so funds can be diverted to another municipality. The Municipal Services Committee has previously recommended that City Staff request from NHDES, funding the West Franklin project as an alternative to the replacement of the Cross Street /Willow Hill Water Storage Tank Project.

As the future of the DWSRF Program is questionable, there is no guarantee we will have another opportunity to be in such a position with regard to borrowing at such a low interest rate coupled with a loan forgiveness amount of forty percent.

**Attachments/Exhibits:**

- Resolution #06 -12
- Resolution #07-12
- Debt Amortization Info
- 4/20/11 Salisbury Road Tank Inspection Report
- 4/20/11 No Main Street Tank Inspection Report
- Water Storage Tank Replacement Analysis prepared by Janet Levy

**AMENDMENT #1**  
TO  
STATE OF NEW HAMPSHIRE  
DRINKING WATER STATE REVOLVING FUND PROGRAM

City of Franklin  
**ORIGINAL LOAN AGREEMENT**  
For Project # 0851010-03

**Whereas** the **City of Franklin** wishes to increase the amount of their loan for **Project # 0851010-03** from **\$3,030,000** to **\$3,370,000**, an increase of **\$340,000** in order to finance additional water main replacement work under the project on Kimball Street and Lawndale Avenue.

**Now Therefore**, amend the ORIGINAL LOAN AGREEMENT for Project 0851010-03 as approved by Governor and Council on March 28, 2012 as Item #98 in the following manner:

Change Page 1, Lines 15 through 22 of the ORIGINAL LOAN AGREEMENT to read:

“II. The State agrees to loan to the Loan Recipient, and the Loan Recipient agrees to repay to the State, in accordance with the terms of this Agreement, the principal sum of **Three Million Three Hundred Seventy Thousand Dollars (\$3,370,000)** (“Principal Sum”) or such lesser amount as shall equal the aggregate of Disbursements made hereunder by the State to the Loan Recipient. Federal financial assistance provided through Capitalization Grants for Drinking Water State Revolving Funds (CFDA #66.468) may comprise all or a portion of the Principal Sum. Any Disbursement or other payment from the State to the Loan Recipient is contingent upon the availability of funds.

Accepted By:  
City of Franklin

\_\_\_\_\_  
Kenneth Merrifield, Mayor

\_\_\_\_\_  
Elizabeth Dragon, City Manager

Accepted By:  
State of New Hampshire

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Thomas S. Burack, Commissioner  
Department of Environmental Services

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**SRF Interest Computation from Loan Origination**

Franklin

Loan No. 0851010-03 - based on Projected Disbursements

Tank Replacement Project

Interest is charged and paid during construction.  
 Day of the month interest is calculated: 1st  
 Construction period interest rate on disbursements: 1.00000%

Disb. Number	Principal Beginning Balance	Principal Disbursed	Date Paid	Interest Rate	Beginning Period	Ending Period	Number of Days	Total Interest Due	Fee Rate	Total Fee Due	Total Interest and Fee Due	Interest Added to Principal	Principal Ending Balance
1	0.00	54,882.44	6/12/2012	1.00000	6/12/2012	9/1/2013	439	669.26	0.00000	0.00	669.26	0.00	54,882.44
2	54,882.44	125,622.54	9/25/2012	1.00000	9/25/2012	9/1/2013	336	1,172.48	0.00000	0.00	1,172.48	0.00	180,504.98
3	180,504.98	568,450.68	12/12/2012	1.00000	12/12/2012	9/1/2013	259	4,089.69	0.00000	0.00	4,089.69	0.00	748,955.66
4	748,955.66	170,825.97	1/28/2013	1.00000	1/28/2013	9/1/2013	213	1,010.72	0.00000	0.00	1,010.72	0.00	919,781.63
5	919,781.63	159,329.45	2/19/2013	1.00000	2/19/2013	9/1/2013	192	849.76	0.00000	0.00	849.76	0.00	1,079,111.08
	1,079,111.08	1,500.00	3/15/2013	1.00000	3/15/2013	9/1/2013	166	6.92	0.00000	0.00	6.92	0.00	1,080,611.08
	1,080,611.08	6,000.00	4/15/2013	1.00000	4/15/2013	9/1/2013	136	22.67	0.00000	0.00	22.67	0.00	1,086,611.08
	1,086,611.08	300,000.00	5/15/2013	1.00000	5/15/2013	9/1/2013	106	883.33	0.00000	0.00	883.33	0.00	1,386,611.08
	1,386,611.08	650,000.00	6/15/2013	1.00000	6/15/2013	9/1/2013	76	1,372.22	0.00000	0.00	1,372.22	0.00	2,036,611.08
	2,036,611.08	550,000.00	7/15/2013	1.00000	7/15/2013	9/1/2013	46	702.78	0.00000	0.00	702.78	0.00	2,586,611.08
	2,586,611.08	500,000.00	8/15/2013	1.00000	8/15/2013	9/1/2013	16	222.22	0.00000	0.00	222.22	0.00	3,086,611.08
<b>Construction Period:</b>								<b>11,002.05</b>		<b>0.00</b>	<b>11,002.05</b>	<b>0.00</b>	
								<b>22,223.60</b>		<b>61,732.22</b>	<b>83,955.82</b>	<b>0.00</b>	<b>3,086,611.08</b>
								<b>1,961.05</b>		<b>5,447.37</b>	<b>7,408.42</b>	<b>0.00</b>	<b>3,370,000.08</b>
<b>Loan Period:</b>								<b>24,184.65</b>		<b>67,179.59</b>	<b>91,364.24</b>	<b>0.00</b>	
<b>Project Totals:</b>								<b>35,186.70</b>		<b>67,179.59</b>	<b>102,366.29</b>	<b>0.00</b>	



# New Hampshire Department of Environmental Services Drinking Water SRF Loan Schedule

Print Date: 3/28/2013  
Total Disbursed: 1,079,111  
Interest rate: 0.72000%  
Administrative Fee: 2.00000%

Borrower: Franklin  
Project Number: 0851010-03

Term: 20 Years

Ref Num	Due Date	Date Received	Beginning Balance	Principal Payment	Principal Forgiven	Interest Payment	Interest Rate %	Administrative Fees	Total Payment	Ending Balance	
1	9/1/2014		3,370,000.00	60,034.74	58,975.00	35,186.69	0.7200	67,179.99	162,401.02	3,250,990.26	
2	9/1/2015		3,250,990.26	73,974.10	58,975.00	23,407.13	0.7200	65,019.81	162,401.04	3,118,041.16	
3	9/1/2016		3,118,041.16	77,590.31	58,975.00	22,449.90	0.7200	62,360.82	162,401.03	2,981,475.85	
4	9/1/2017		2,981,475.85	81,304.89	58,975.00	21,466.63	0.7200	59,629.52	162,401.04	2,841,195.96	
5	9/1/2018		2,841,195.96	85,120.50	58,975.00	20,456.61	0.7200	56,823.92	162,401.03	2,697,100.46	
6	9/1/2019		2,697,100.46	89,039.90	58,975.00	19,419.12	0.7200	53,942.01	162,401.03	2,549,085.56	
7	9/1/2020		2,549,085.56	93,065.91	58,975.00	18,353.42	0.7200	50,981.71	162,401.04	2,397,044.65	
8	9/1/2021		2,397,044.65	97,201.42	58,975.00	17,258.72	0.7200	47,940.89	162,401.03	2,240,868.23	
9	9/1/2022		2,240,868.23	101,449.42	58,975.00	16,134.25	0.7200	44,817.36	162,401.04	2,080,443.81	
10	9/1/2023		2,080,443.81	105,812.96	58,975.00	14,979.20	0.7200	41,608.88	162,401.04	1,915,655.85	
11	9/1/2024		1,915,655.85	110,295.20	58,975.00	13,792.72	0.7200	38,313.12	162,401.04	1,746,385.65	
12	9/1/2025		1,746,385.65	114,899.34	58,975.00	12,573.98	0.7200	34,927.71	162,401.03	1,572,511.31	
13	9/1/2026		1,572,511.31	119,628.73	58,975.00	11,322.08	0.7200	31,450.23	162,401.04	1,393,907.58	
14	9/1/2027		1,393,907.58	124,486.75	58,975.00	10,036.13	0.7200	27,878.15	162,401.03	1,210,445.83	
15	9/1/2028		1,210,445.83	129,476.91	58,975.00	8,715.21	0.7200	24,208.92	162,401.04	1,021,993.92	
16	9/1/2029		1,021,993.92	134,602.80	58,975.00	7,358.56	0.7200	20,439.88	162,401.04	828,416.12	
17	9/1/2030		828,416.12	139,868.12	58,975.00	5,964.60	0.7200	16,568.32	162,401.04	629,573.00	
18	9/1/2031		629,573.00	145,276.65	58,975.00	4,532.93	0.7200	12,591.46	162,401.04	425,321.35	
19	9/1/2032		425,321.35	150,832.29	58,975.00	3,062.31	0.7200	8,506.43	162,401.03	215,514.06	
20	9/1/2033		215,514.06	156,539.06	58,975.00	1,551.70	0.7200	4,310.28	162,401.04	0.00	
				<b>2,190,500.00</b>	<b>1,179,500.00</b>	<b>288,021.69</b>			<b>769,499.01</b>	<b>3,248,020.70</b>	



# CITY OF FRANKLIN, NEW HAMPSHIRE

*"The Three Rivers City"*

316 Central Street  
Franklin, NH 03235

(603) 934-3900  
fax (603) 934-7413  
cityhall@franklinnh.org

## RESOLUTION 09-13

**A resolution authorizing the Franklin City Council to borrow addition funds under the State of New Hampshire Department of Environmental Services Drinking Water State Revolving Fund Loan Program for the purpose of additional water main replacement work under the current "Salisbury Road/ North Main Street Water Storage Tank Replacement Project/ Replacement of Outdated Water Mains" and to raise, appropriate and expend loan funds on said project.**

**In the year of our Lord, Two Thousand Thirteen,**

**WHEREAS, the City Council of the City of Franklin, New Hampshire authorized by Resolution #07-12 the undertaking of the "Salisbury Road/North Main Street Water Storage Tank Replacement Project" and associated water distribution system improvements for an amount not to exceed \$3,030,000, and;**

**WHEREAS, the City Council of the City of Franklin, New Hampshire recognizes that the associated water distribution improvement have included replacing the antiquated water lines in the part of the loop including Route 11, Lawndale Ave, Chance Pond Road and Kimball Street which will deliver more water volume and better pressures to the west side of Franklin, and;**

**WHEREAS, the City Council of the City of Franklin, New Hampshire understands that the funding is running short to complete the Kimball Street portion of the loop, and;**

**WHEREAS, the City Council of the City of Franklin, New Hampshire wishes to increase the funding from the State of New Hampshire, Drinking Water State Revolving Fund by \$340,000 to a total of \$3,370,000 of which the City will receive up to 40% loan forgiveness, and;**

**WHEREAS, The City Council of the City of Franklin, New Hampshire wishes to authorize the City Manager and Mayor to execute the appropriate documents to increase the funding to \$3,370,000 and retain bond counsel to negotiate and execute loan/grant agreements on behalf of the Franklin City Council for a period not to exceed 20 years, NOW;**

**THEREFORE BE IT RESOLVED, that at the regularly scheduled meeting of the City Council on Monday, May 6, 2013, the City Council of the City of Franklin, New Hampshire does hereby adopt resolution 09-13 authorizing the City to raise, appropriate and expend an additional \$340,000 for the "Salisbury Road/North Main Street Water Storage Tank Replacement**

Resolution 09-13

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Project” and to further authorize the City Manager and Mayor to execute a change to the original loan agreement with the State of New Hampshire Department of Environmental Services under the Drinking Water State Revolving Fund Program for the “Salisbury Road/North Main Street Water Storage Tank Replacement Project” so that the project does not exceed the amount of \$3,370,000,

By a roll call vote.

Roll Call:

Councilor Boyd	_____	Councilor Feener	_____
Councilor Clarenbach	_____	Councilor Sharon	_____
Councilor Cournoyer	_____	Councilor Starkweather	_____
Councilor Desrochers	_____	Councilor Trudel	_____
Councilor Dzujna	_____		

Approved: \_\_\_\_\_  
Mayor

Passed: \_\_\_\_\_

I certify that said vote has not been amended or repealed and remains in full force and effect as of the date of this Certification and that Holly Burbank is the City Clerk for the City of Franklin, Franklin, New Hampshire.

A true copy, attested: \_\_\_\_\_  
City Clerk

Date: \_\_\_\_\_



# CITY OF FRANKLIN, NEW HAMPSHIRE

*"The Three Rivers City"*

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Franklin, NH 03235

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## CITY OF FRANKLIN NOTICE OF PUBLIC HEARING & MEETING

**In accordance with the provision of Chapter 31, Division 2 of the Franklin Municipal Code, notice is hereby given that the City of Franklin will hold a Public Hearing on Monday, May 6, 2013 at 6:08 p.m. in the Council Chambers, Franklin City Hall concerning Resolution #09-13 concerning the borrowing of additional funds under the State of New Hampshire Department of Environmental Services Drinking Water State Revolving Fund Loan Program for water main replacement work.**