

ACTION FORM

PROCEEDING Council Meeting	
DEPARTMENT OF ORIGIN City Hall	DATE SUBMITTED: 08/01/2016
PREPARED BY: Dean Gary	
SUBJECT: Water System Improvements	
REFERENCE: USDA Loans and DNREC Loan Forgiveness	
RELATED PROJECT:	
REVIEWED BY: Teresa Tieman	
EXHIBITS:	
EXPENDITURE REQUIRED: \$2,115,000	AMOUNT BUDGETED: NA
FUNDING SOURCE (Dept./Page in CIP & Budget): Loans, Grants and Loan Forgiveness	
TIME TIMETABLE:	
RECOMMENDED ACTION: Adopt Loan Resolution to finance Water System Improvements in order to continue our application to USDA. Cost of Improvements \$4,182,100. Cost to City \$2,115,000 at 1.625%	

BACKGROUND AND ANALYSIS

The City of Harrington Water System is in need of improvements and upgrades. Remington Vernick and Beach have made recommendations for upgrading and improving the existing system. It will be financed through a package of Loans, Grants and Loan Forgiveness through USDA and DNREC.

The financing consists of:

USDA Loan	\$2,115,000
USDA Grant	\$ 201,000
DNREC Funding	<u>\$1,866,100</u>
 Total Cost	 \$4,182,100
 DNREC Forgiveness	 \$1,866,100
Grant Value	<u>\$ 201,000</u>
 Final Loan	 \$2,115,000

The Loan will be scheduled to repayment over a period of 40 years at 1.625%. Payments will be quarterly in the amount of \$18,020 or annual payments of \$72,080.

Approval of this resolution is not an acceptance of the loan but is necessary for USDA to give further consideration to our application. The entire project will need to be placed before the citizens for referendum.

Scope of Project:

Remington Vernick & Beach has submitted an Environmental report in September 2015 and an Engineering report in April 2016 to USDA and DNREC.

The proposed project consists for the design and construction of new larger mains including 2,500 LF of 8 inch water main, 6,800 LF of 10 inch water main, 27 fire hydrants, 15 water connections, 3,750 LF of 1 inch service laterals, valves meters and connections for users along Liberty Street, South Dupont Highway and Clark Street. In addition, the project calls for construction of a new 800 feet deep 12 inch supply well, a 500,000 gallon elevated storage tower, control and disinfection systems, building, and associated utilities.

CITY OF HARRINGTON

DEBT SERVICE SCHEDULE - 2018

FUNDING SOURCE	ORIGINATED	TOTAL LOAN	BALANCE	YRLY. PRINCIPAL	YRLY. INTEREST	YRLY PYMT	BALANCE	INTEREST RATE	PAY CYCLE	MATURITY
			June 30, 2017				June 30, 2018			
SRF #12000069	2/26/2016	\$ 1,453,840.82	\$ 1,453,840.82	\$ 56,890.00	\$ 28,233.00	\$ 85,123.00	\$ 1,396,950.82	2	SEMI-ANNUAL	1/1/2037
SRF #12000070	2/26/2016	\$ 590,730.49	\$ 590,730.49	\$ 17,696.00	\$ 11,552.00	\$ 29,248.00	\$ 573,034.49	2	SEMI-ANNUAL	9/1/2042
USDA #17	3/6/2013	\$ 1,658,000.00	\$ 1,564,650.51	\$ 29,883.50	\$ 29,127.90	\$ 59,011.40	\$ 1,534,767.01	1.875	QTRLY	3/6/2053
USDA #22	6/9/2016	\$ 520,000.00	\$ 506,693.00	\$ 13,541.00	\$ 8,779.00	\$ 22,320.00	\$ 493,152.00	1.75	Qtrly	6/9/2056
USDA New Sewer	7/1/2017	\$ 850,685.00	\$ 850,685.00	\$ 14,038.00	\$ 16,909.00	\$ 30,947.00	\$ 836,647.00	2	Qtrly	7/1/2057
SRF#49	6/7/2011	\$ 600,000.00	\$ 495,145.42	\$ 27,544.03	\$ 9,765.89	\$ 37,309.92	\$ 467,601.39	2	SEMI-ANNUAL	est 4/2032
SRF #42	10/22/2010	\$ 1,992,675.00	\$ 1,633,378.13	\$ 94,382.67	\$ 32,198.01	\$ 126,580.68	\$ 1,538,995.46	2	SEMI-ANNUAL	2/1/2031
TOTAL WASTE WATER		\$ 7,665,931.31	\$ 7,095,123.37	\$ 253,975.20	\$ 136,564.80	\$ 390,540.00	\$ 6,841,148.17			
SRF #21000071	2/26/2016	\$ 383,647.00	\$ 383,647.00	\$ 12,721.00	\$ 5,484.00	\$ 18,205.00	\$ 370,926.00	2	SEMI-ANNUAL	9/1/2040
SRF #21000070	2/26/2016	\$ 176,799.00	\$ 176,799.00	\$ 4,812.00	\$ 3,465.00	\$ 8,277.00	\$ 171,987.00	2	SEMI-ANNUAL	9/1/2044
USDA New Water	7/1/2017	\$ 2,115,000.00	\$ 2,115,000.00	\$ 37,873.00	\$ 34,139.00	\$ 72,012.00	\$ 2,077,127.00	1.625	Qtrly	7/1/2057
USDA #15	1/10/2010	\$ 850,000.00	\$ 775,954.57	\$ 15,180.05	\$ 18,332.91	\$ 33,512.96	\$ 760,774.52	2.375	QTRLY	8/14/2048
TOTAL WATER		\$ 3,525,446.00	\$ 3,451,400.57	\$ 70,586.05	\$ 61,420.91	\$ 132,006.96	\$ 3,380,814.52			
ALL PROPRIETARY FUND DEBT		\$ 11,191,377.31	\$ 10,546,523.94	\$ 324,561.25	\$ 197,985.71	\$ 522,546.96	\$ 10,221,962.69			

DEBT SERVICE SCHEDULE - 2015

FUNDING SOURCE	ORIGINATED	TOTAL LOAN	BALANCE June 30, 2014	YRLY. PRINCIPAL	YRLY. INTEREST	YRLY PYMT	BALANCE June 30, 2015	INTEREST RATE	PAY CYCLE	MATURITY
USDA #01	7/31/1996	\$ 2,000,000.00	\$ 1,513,308.00	\$ 38,909.00	\$ 69,171.00	\$ 108,080.00	\$ 1,474,399.00	4.5	QTRLY	4/1/2036
USDA #06	6/20/2001	\$ 779,300.00	\$ 639,661.00	\$ 15,468.00	\$ 26,648.00	\$ 42,116.00	\$ 624,193.00	4.5	QTRLY	6/20/2041
USDA #10	7/21/2005	\$ 81,800.00	\$ 70,421.00	\$ 1,296.00	\$ 2,362.00	\$ 3,658.00	\$ 69,125.00	3.25	QTRLY	7/21/2045
USDA #17	3/6/2013	\$ 1,658,000.00	\$ 1,622,766.00	\$ 28,253.00	\$ 30,758.00	\$ 59,011.00	\$ 1,594,513.00	1.875	QTRLY	3/6/2053
SRF #07	8/9/2006	\$ 600,000.00	\$ 535,856.00	\$ 32,502.00	\$ 15,127.00	\$ 47,630.00	\$ 503,354.00	2.7	SEMI-ANNUAL	est 4/2029
SRF#49	6/7/2011	\$ 600,000.00	\$ 548,616.00	\$ 25,948.00	\$ 11,362.00	\$ 37,308.00	\$ 522,668.00	2	SEMI-ANNUAL	est 4/2032
SRF #42	10/22/2010	\$ 1,992,675.00	\$ 1,816,603.00	\$ 88,912.00	\$ 37,668.00	\$ 126,580.00	\$ 1,727,691.00	2	SEMI-ANNUAL	2/1/2031
TOTAL WASTE WATER		\$ 7,711,775.00	\$ 6,747,231.00	\$ 231,288.00	\$ 193,096.00	\$ 424,383.00	\$ 6,515,943.00			
USDA #08	12/30/1999	\$ 497,000.00	\$ 383,647.00	\$ 9,526.00	\$ 12,742.00	\$ 22,268.00	\$ 374,121.00	3.25	QTRLY	12/30/2039
USDA #09	5/23/2003	\$ 210,000.00	\$ 176,799.00	\$ 3,026.00	\$ 8,326.00	\$ 11,352.00	\$ 173,773.00	4.5	QTRLY	5/23/2043
USDA #15	1/10/2010	\$ 850,000.00	\$ 805,212.00	\$ 14,137.00	\$ 19,355.00	\$ 33,492.00	\$ 791,075.00	2.375	QTRLY	8/14/2048
TOTAL WATER		\$ 1,557,000.00	\$ 1,418,557.00	\$ 26,689.00	\$ 40,423.00	\$ 67,112.00	\$ 1,391,868.00			
PROPRIETARY FUND DEBT		\$ 9,268,775.00	\$ 8,165,788.00	\$ 257,977.00	\$ 233,519.00	\$ 491,495.00	\$ 7,907,811.00			

LOAN RESOLUTION
(Public Bodies)A RESOLUTION OF THE Town CouncilOF THE Harrington, City of

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

Water Services

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the Harrington, City of*(Public Body)*

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

Two Million One Hundred Fifteen Thousand & 00/100pursuant to the provisions of Delaware; and**WHEREAS**, the Association intends to obtain assistance from the United States Department of Agriculture,

(herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal ly permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

- 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
- 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
- 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
- 14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
- 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
- 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- 17. To accept a grant in an amount not to exceed \$ 201,000.00

under the terms offered by the Government; that the Mayor

and _____ of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was: Yeas _____ Nays _____ Absent _____

IN WITNESS WHEREOF, the Town Council _____ of the

Harrington, City of has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this _____ day of _____

(SEAL.)

By Anthony Moyer

Attest:

Title Mayor

Title _____

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the Harrington, City of
 hereby certify that the Town Council of such Association is composed of
 _____ members, of whom , _____ constituting a quorum, were present at a meeting thereof duly called and
 held on the _____ day of _____ ; and that the foregoing resolution was adopted at such meeting
 by the vote shown above, I further certify that as of _____ ,
 the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
 rescinded or amended in any way.

Dated, this _____ day of _____

Title _____