

Richmond Gateway Area: Bond for Proposed Extensions of Municipal Water and Sewer 2.5.2015

An informational meeting regarding the bond will be held on March 2nd at 7:00 pm in Camels Hump Middle School.

What is the Gateway Area?

The Gateway area is west of the village, generally between US Route 2 and Interstate 89 from the Welcome to Richmond sign to Exit 11. This area is designated the Gateway to Richmond because of the amount of traffic coming into town from that direction. It is considered a distinct zoning district. For the purposes of extending municipal water and sewer lines, the Gateway area has been described in public meetings to encompass three separate projects along Route 2:

Phase 1: The 'Willis Hill' property, now owned by the Reaps, extending from the hill next to Camels Hump Middle School past the original farmhouse.

Phase 2: Twelve properties extending from the Reaps' property line past the Crate Escape property.

Phase 3: Several properties extending from the Crate Escape property through the Riverview Commons Mobile Home Park.

A map of this area can be viewed at Richmond town offices, or online at:

<http://www.richmondvt.gov/wp-content/uploads/2014/10/11-17-14-Presentation-amendments.pdf>

Why do the Richmond Water/Sewer Commission and the Selectboard propose to extend municipal water and sewer lines in the Gateway area?

- Extending water and sewer lines into the gateway could support additional development, consistent with the current town plan and zoning. Located in a narrow band between interstate highway 89 and state highway 2, the Gateway represents a significant percentage of the town that allows commercial development under current zoning. Responsible development in this area could generate additional property tax revenues and additional employment opportunities within the town.
- Extending municipal water and sewer lines through the Gateway could ensure that more residents have ongoing future access to clean high-quality public water and proper sewage treatment.
- The 'Phase 1' property owners initially approached the town with interest in accessing municipal water and sewer. A majority of property owners in the 'Phase 2' area have since expressed interest in accessing municipal water and sewer. The town is now actively engaged in conversations with the primary 'Phase 3' property owner (Riverview Commons Mobile Home Park) regarding access to municipal water and sewer in the park (currently 148 mobile homes).
- The Richmond water and sewer systems are currently quite small, with about 320 connections. Use of the systems decreased significantly with the closing of the cheese factory (the largest user) about 15 years ago. As a result, the Richmond municipal water and sewer systems currently have significant unused capacity, leaving room for more users and

more 'flow'. The water and sewer rates could be made more affordable by spreading core infrastructure costs (eg the sewage treatment plant) across a larger number of customers. The more connections we have, the smaller the share of capital costs per connection. The extensions into the Gateway would help stabilize user rates and support future maintenance and improvements.

- Extending a municipal water line into the Gateway could provide fire hydrants and improved fire protection in the Gateway. This may also reduce fire insurance costs in this area. Fire hydrants located in the Gateway could also improve Richmond's mutual aid fire protection response to adjacent towns and the interstate highway.
- The Gateway represents a unique combination of location, zoning, and density that appear to make municipal water and sewer extensions both feasible and desirable.

Who will benefit from the proposed water and sewer line extensions?

- All town residents could benefit from increased property tax revenues, improved fire protection, and new employment opportunities from new commercial development.
- Gateway property owners could benefit from increased development potential and increased property values. There is evidence that some existing water supplies in the Gateway area may require significant improvements to meet state water quality standards. There is also evidence that some on-site sewage treatment systems may be at capacity and/or in need of replacement, without alternative local sites that would allow replacement at a reasonable expense. The extension of municipal water and sewer lines will address and eliminate these challenges for Gateway property owners.
- The water line extension could improve fire protection in the area, as well as improving mutual aid fire protection response.
- Future development in the Gateway could be accomplished with lower construction costs through access to municipal water and sewer lines.
- Existing water and sewer customers could benefit from a larger number of users, leading to lower and more stable rates for both current and future costs.

How much would it cost to extend the water and sewer lines?

Green Mountain Engineering has provided detailed estimates of the costs of extending municipal water and sewer lines through the Gateway, with costs totaling about \$2.5 million. Phase 1 would cost about \$497,000; Phase 2 would cost about \$525,000; and Phase 3 would cost about \$1,481,000. This report and these costs have been discussed at public meetings of the Richmond Water and Sewer Commission.

Although grants and other financing are not guaranteed, and cannot be secured until after a bond vote, preliminary estimates suggest that 45% or more of the total construction costs may be covered by grants. The Selectboard is asking for authority to bond for \$2,500,000. Grants would significantly reduce the share of \$2,500,000 that would need to be borrowed and repaid through a bond.

Who would pay for the cost of extending the lines?

While the costs are significant, the project is made possible by a combination of grant funds and a significant number of new users contributing to annual loan repayments. The Richmond Water/Sewer Commission and the Richmond Selectboard have agreed that the costs of extending the municipal water and sewer lines will be supported by new users in the Gateway. Neither current system users nor other town taxpayers will be asked to pay for the extensions (including construction costs, loan repayments, and new operation and management costs). All project costs will be paid by a combination of:

1. Grants (amount to be determined, estimated at 45% or more)
2. Repayment of loans through bond payments, through:
 - a. One-time hook-on fees from new users in the Gateway
 - b. Ongoing fees/rates paid by new users in the Gateway

The town expects to qualify for advantageous federal funding that benefits economically disadvantaged areas, such as the mobile home park. The town plans to apply for USDA Rural Development funds including grant funds, which would lower the bond payment costs significantly.

Why do we need a bond to extend the water and sewer lines, and why is the Selectboard asking the voters in the town of Richmond to vote on the bond article?

A grant (ie no borrowing and no repayment) is the most favorable method of financing construction costs. However, grants cannot be pursued until a bond has been approved. A bond is the most favorable method of borrowing (and repaying) money to cover construction costs). Under Vermont law, a bond must be secured through the Town of Richmond, with the approval of a majority of Richmond voters. The bond must be approved by the voters before grant funds can be pursued.

What else should I know?

The project depends on a commitment to connect by a significant number of users, or by the mobile home park. Without the large number of users in the mobile home park, the costs for the other Gateway properties (Phase 1 and Phase 2) alone would be much more expensive. Without commitments from property owners to connect and use the extensions, the extensions are unlikely to be built.

Without approval of the bond by Richmond voters, the project as envisioned would be impossible to construct. In Richmond, all indebtedness is held by the town as a whole, including all water and sewer debt. While water and sewer customers pay for water and sewer debt through user rates, the voters must provide the authorization to issue debt.

Similarly, the project is unlikely to proceed without grant funding, which would substantially reduce annual bond payments.

How can I get more information?

An informational meeting regarding the bond will be held on March 2nd at 7:00 pm in Camels Hump Middle School.

The bond article can be viewed on the Richmond website:

<http://www.richmondvt.gov/wp-content/uploads/2015/01/Richmond-warning-2-water-bond.pdf>

Materials related to the proposed water and sewer extensions are posted online at:

<http://www.richmondvt.gov/documents/water-commission-reports/>

Minutes of Richmond Selectboard meetings are posted online at:

<http://www.richmondvt.gov/government/selectboard/>

Courtesy of MMCTV15, video recordings of Richmond Selectboard meetings are available at:

<https://vimeo.com/album/1886751>

Minutes of Richmond Water and Sewer Commission meetings are posted online at:

<http://www.richmondvt.gov/boards-minutes/richmond-water-sewer-commissioners/>

Courtesy of MMCTV15, video recordings of Richmond Water and Sewer Commission meetings are available at:

<https://vimeo.com/album/2892114>