



*Town of Littleton, Massachusetts
Department of Finance and Budget*

*Bonnie-mae Holston, Assistant Town Administrator for Finance & Budget
Mary M. Barrett, Assistant Town Accountant*

To: Board of Selectmen
Littleton Water Commissioners
Finance Committee

From: Bonnie Holston, Assistant Town Administrator/Finance Director

Date: March 13, 2009

Cc: Keith Bergman, Town Administrator

Re: Goldsmith Street Water Main

As you are already aware, the Town of Littleton has been successful in obtaining MA Highway/Federal TIP funding to have the longstanding issue of having Goldsmith Street re-constructed. It was originally estimated that this project would not be addressed until sometime after FY2012, however we received approval for this fiscal year – FY2009 - due to the persistence of administrative staff including Keith Bergman and James Clyde.

This project was earmarked for \$ 4.2 million by MA Highway, however with the favorable bid environment the bid came in at \$ 3.2 million - \$1 million under the earmarked amount.

Through this process, an issue has arisen with the timing of this project as it relates to the existing water main. Water infrastructure under Goldsmith Street is highly suspect and subject to occasional, if not frequent, failures based on its age and materials. It is estimated that this improvement will cost approximately \$1 million.

The Water Department had originally planned on addressing this issue in their FY2012 Capital Improvement Plan. Obviously, it would not make sense to undertake the roadway improvements without doing the necessary upgrades/repairs to the water infrastructure at the same time. To not address this concurrently would have the town opening up Goldsmith Street in just a few short years after being fully repaired.

The Littleton Water Department is a \$ 1.5 million enterprise funded water utility with approximately \$ 400,000 per year in current bond debt payment. They would be unable to undertake this upgrade within the current revenue projections – even with the 20% rate increase anticipated for the next year.

In order to accomplish this Water Infrastructure improvement in the timely manner required, we are pursuing and inquiry to MA Highway if it is possible to consider the

remaining \$1 Million in unallocated funds from this project to assist with this additional water work. This inquiry may take some time to obtain final resolution, and if disallowed we need to have an alternative plan in place.

Since the current water rates - even with the increase being planned - will not be enough to support the water operating and debt expenses along with this new debt service, it would mean that this deficit must be raised by the General Fund thus placing the burden of the debt service on the Town Operating budget at least for a short period of time.

The water fund was planning on supporting this debt service in FY2012, so it seems a short term problem to solve. In reviewing the figures, I would suggest that the Town expand the scope of the \$1 Million Borrowing Authorization approved last May for the Roadway Improvement Plan to include the Water Improvements. We could then BAN (a Temporary Note in anticipation of Bonding permanently) for a period of 2-3 years starting in July or later of 2009 (FY2010). This would make the first interest payment due 1 year later (FY2011) at about 40-50k. If the water fund could not support it in their FY2011 budget, the town would need to plan for this payment in our budget calculations. Assuming that the Water department would take over the debt for FY2012, we could then address repayment of the initial \$40 – 50k with them at that time.

While I can not forecast the impact that this additional payment will have on the Town Budget for FY2011, I believe the negative impact of re-opening Goldsmith Street in such a short window of the completed improvements will be significant, particularly to the residents of said street.

Please do not hesitate to contact me directly with any questions relating to this matter. Thank you.