



To: The Hinesburg Selectboard
From: Trevor M. Lashua, Town Administrator
Date: March 11, 2016
Re: "Bridge" loan for the water supply and treatment facility project.

The Town had long anticipated that interim financing would not be necessary for the water supply and treatment project due to the availability of local funds.

The late arrival (by nearly three months) of loan documents from the Bond Bank delayed the filing of the first request for reimbursement from the State until March, though construction has been underway since December. The Town is borrowing funds for the project from the State Drinking Water Revolving Loan Fund, which only reimburses communities for construction bills already paid. The State's reimbursement process takes 20 days (+/-); the first reimbursement request has been filed.

Construction is now more than 60% complete, and a new set of bills is "due." Local funds are no longer in sufficient supply to cover those current costs.

Merchant's Bank can provide a non-revolving line of credit of not more than \$300,000 to serve as a "bridge" loan. Funds would be available within a day of returning the documents to the bank. Interest is quoted at 1.5% annually (adjusted for the days used), and would only be paid on the actual amount borrowed. The Town would use the bank funds to pay current construction costs, and then pay back the bank once the State reimburses the Town for its first and second requisitions. The loan would remain open for a little less than two months.

There are no other costs involved, and Merchants Bank pays the legal opinion cost.

Consider a motion authorizing the Town to borrow an amount not to exceed \$300,000 from Merchant's Bank, at an interest rate of 1.5%, for the purposes for providing "bridge" funding for expenses related to the water supply and treatment facility project, with the loan repaid once the State reimburses the Town.