

June 5, 2023

City of Charlestown Common Council  
304 Main Cross Street, Charlestown, IN 47111

Re: WWTP/Sewer System construction and improvements funding

Dear Council Members:

This memo offers an update on funding options for covering the cost of our WWTP construction and collection system improvements. As discussed with the Sewer Board at our regular meeting on May 18<sup>th</sup>, as we have worked the past three years to repair long-standing deterioration of our wastewater treatment plant and collection system the necessary investments have understandably increased our operating costs. While revenue growth in the same period has exceeded our expectations and currently covers our operating expenses, it is worthwhile to consider all available options for funding the gap between awarded grants and special funding and the anticipated costs of the WWTP construction.

We have considered entering the SRF pool for summer. At the advice of Baker Tilly, the City's financial advisor, we also investigated the alternative of Bond Anticipation Notes (BANs) to fund the cost gap. Choosing to issue BANs will allow the department to realize upcoming additional revenues from approved new residential construction and give time for the growth within the River Ridge Commerce Center and other industrial prospects. Since BANs can remain in place for up to five years, they offer the city an option for less long-term debt. BANs also allow for more flexibility in funding since SRF bonds do not allow for prepayment within the first 10 years of issue. Additionally, choosing to fund the gap with BANs will give the department time to develop a more accurate Asset Management Plan once the new plant is online, which is a key component of our Agreed Order with IDEM. Other communities in our area have used BANs as a part of their funding package for WWTP upgrades with great success. This option allows us to ease the impact on Charlestown's existing ratepayers by lengthening the time for new users to come online, thus spreading the rate revenue impact across a wider customer base. Protecting our existing rate payers is a top priority.

I have discussed this option with Clerk Treasurer Donna Coomer, who agrees with the benefits of using BANs. The Sewer Board attorney will be happy to answer any questions you have about the difference between Bonds and BANs and will provide an updated schedule of adoption. As a final note, the bids for the WWTP construction will be opened at the Sewer Board meeting on June 15<sup>th</sup>. Please note that the meeting time changed to 3:00 PM to facilitate the opening of the bids.

Sincerely,

  
Treva Hodges, Mayor