

Financing Central Beach Water System

BoF Meeting
October 17th, 2020

Possible Options

- Private Financing
- Bank Financing
- State Financing
- Assessment
- Combination of any/all

Private Financing

- Weekapaug: \$350,000 road financing (2016)
 - 20 families at \$17,500 each
 - 5 year, 1.4% interest (currently 80% repaid)
 - Moderator called around. Very fast, defined project
 - Participants not identified
 - Simple documentation, not tax free
- Central Beach
 - 30% smaller community (270 houses vs 187)
 - Is there appetite? We would need 40 families at \$25,000 each
 - Can it be done quickly?
 - How do you “enforce” pledge over 2021 and 2022?

Bank Financing (Wash. Trust)

- \$2,500 origination fee
- Seven year rate based on the index +275bps at time of completion, minimum of 3.75%
- End of year 7, interest rate resets for 3 years
- 20 year amortization.
- Bank option to extend loan from year 10 to year 20. If the bank does not extend the remaining balance of \$446,000 is due
- Interest rate resets years 11-15 then resets again years 16-20.
- Allowed to roll remaining \$75k on bank note into new loan
- Prepayment allowed at 5/4/3/2/1 premium
- Payment at today's rate (\$750,000 loan)
 - 10 year amortization \$7,500/mn (\$90k/year)
 - 20 year amortization \$4,470/mn (\$53.5k/year)
- Our LOC is dependent on keeping deposit relationship with Wash. Trust. If we finance with another bank that requires we move our deposits we will lose the LOC with Wash Trust.
- Email to Bank of RI (9/22/2020) – no reply.

State of RI DWSRF

- Process; bids, application, approval/terms
- Currently on PPL for \$350,000 project
- 20+ year term
- 2-3% interest rate fixed
- \$100,000 will be “forgiven”
 - Need to assess additional potential costs so savings may be illusionary
- Will need to bid project
- 10% of \$ minority/female owned businesses
- Contractors must pay “market” wages
- Must be National Sanitation Foundation 60, 61 compliant
- Invoices to the state
- No requirement for CB deposits
- Good financial deal but government oversight

Community Assessment

- 187 houses in the community
- Assess on a per house (not mill rate basis?)
- For \$1,000,000 in financing would be approximately \$5,300/house
- Payable over some period of time (2-5 years?)
- Could assess for a portion and borrow the rest
- Example:
 - Assess \$500,000 would be \$2,650/house
 - Private financing of \$300,000 (15 families @ \$20,000)
 - Borrow balance from DWSRF or Bank