



# TOWN OF FAIRFAX

## STAFF REPORT

### October 7, 2015

**TO:** Mayor and Town Council

**FROM:** Garrett Toy, Town Manager 

**SUBJECT:** Discussion of financing Town infrastructure through low-interest capital loans from other governmental entities

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#### **RECOMMENDATION**

Discuss the financing of Town infrastructure through low-interest capital loans from other governmental entities

#### **DISCUSSION**

In the past the Town has issued tax-exempt bonds for infrastructure improvements (e.g., Measure K bonds for streets). With staff's recent research regarding grants for Canyon Road improvements (i.e., repair retaining wall), there are two financing programs available to the Town for capital projects: US Department of Agriculture Rural Development loans and California Infrastructure Bank (I-Bank) loans. These are low interest loans (approx. 4%) that would be repaid over a 20-40 year period. The terms and conditions do vary between the two programs.

However, before staff spends much time researching and comparing the loan programs as well as tax-exempt bond financing, we are seeking direction on the Council's interest in obtaining financing for infrastructure. Typically, the Town has taken a "pay as it goes" strategy for infrastructure. In other words, the Town budgets for improvements based on grants obtained or annual funding received (e.g., Measure A transportation funds).

The primary benefit of financing infrastructure is that improvements can be constructed now as opposed to waiting, thus, saving on construction costs, assuming the loan's interest rate is lower than inflationary costs for construction. The disadvantage is the Town would incur long term debt.

The capital projects would most likely be street improvement projects such as Canyon Road retaining wall, the reconstruction of Tamalpais Road (from Mountain View Rd. to Scenic Rd.) and Mountain View Road (from Manzanita Rd. to Tamalpais Rd). A section of Canyon Road suffers from the movement of subsoils. The repair to the retaining wall would stabilize the situation. Tamalpais is an arterial road with the lowest pavement rating (PCI 25 out of 100) and in need of reconstruction. While Mountain View Rd. is classified as a residential road, it is also heavily traveled as an alternative route to

Tamalpais Road. In addition, PG&E has agreed to contribute approximately \$50,000 toward the reconstruction of Tamalpais and Mountain View roads due to their pipe replacement project.

It should be noted that these are merely examples of improvements the Council could consider if it chose to further explore financing. A rough estimate for the Tamalpais and Mountain View road improvements is \$270,000 (\$85/sq. yd. @ 3,200 sq. yd. of area). No estimate is available at this time for Canyon Road repairs. Staff would anticipate borrowing \$300,000-400,000 for these type of projects. Depending on the loan amount, interest rates, and term; loan repayments would range from \$17,000 to \$24,000 per year.

Depending on the Council's interest, staff would report back at a future meeting with more details and recommendations.

**FISCAL IMPACT**

n/a at this time