

Educational Fact Sheet

Margate Water & Wastewater Improvement Revenue Bonds

Introduction

The City of Margate (City) is dedicated to safeguarding public health ensuring the optimal operation of its water and wastewater systems while continuously striving to improve and maintain its infrastructure. This fact sheet offers details on the forthcoming bond referendum intended to finance necessary projects to address the upgrades to our aging systems. These projects will not only improve the quality, reliability, and efficiency of our water and wastewater services but will also ensure that we meet the latest regulations set by the United States Environmental Protection Agency (U.S. EPA).

Why is the City of Margate putting a Water and Wastewater Improvement Bond Referendum on the Ballot? Why is this referendum necessary?

The City's Department of Environmental Services (DEES) Utilities division has identified critical capital needs totaling approximately \$224.3 million over the next ten years to address water and wastewater utility system upgrades. About half of this funding, \$113.3 million, will come from Water and Sewer Rates and Reserves. The remaining balance will be financed through the issuance of Revenue Bonds, pending approval by the voters. The City Charter, Section 5.09, mandates that such financing be approved by a majority of voters in an election specifically held for this purpose: *"No government bonds, except those relating to special assessment improvements, shall be issued by the City of Margate unless the issuance of such bonds shall have been approved by the majority of the votes of qualified electors cast in a general election or special election held for the purpose."*

What is a Revenue Bond?

A Revenue Bond is a type of municipal bond issued to finance projects that generate their own revenue, such as water and wastewater utilities, without spending taxpayer's money. These bonds are sold to investors to fund specific projects, and the principal and tax-exempt interest are repaid from the income generated by the project, in this case, through water and sewer rates billed to customers. Because investors accept lower interest rates for tax-free income, the City saves money. The Revenue Bonds set for approval would help to finance the crucial upgrades of the water and wastewater infrastructure. The increase in water and sewer rates structure, which took effect on January 1, 2024, is designed to cover the costs of these bonds, including interest. This ensures that the revenue from the upgraded facilities will fund the repayments, without additional rate increases for customers than have already been approved.

When is the Margate Water and Wastewater Improvement Bond Referendum?

The Water and Wastewater Revenue Revitalization Bond Referendum will be part of the City of Margate's Municipal General Election on Tuesday, November 5, 2024.

How much money would the Margate Water and Wastewater Improvement Bond seek to raise?

There will be three 30-year revenue bonds issued, with the total not exceeding \$120 million.

Proposed Bonds Issuance Schedule:

1. **Fiscal Year 2025:** The initial bond issuance will allocate funds for Wastewater Treatment Plant upgrades and water line replacements, totaling an investment of \$60 million.
2. **Fiscal Year 2027:** A second bond issue will allocate approximately \$30 million towards water and wastewater projects needed to address new EPA regulations, for example requirements related to PFAS/PFOA in drinking water and biosolids management in wastewater.
3. **Fiscal Year 2031:** A third bond issuance, anticipated for Fiscal Year 2031 and capped at \$30 million, is planned for additional water and wastewater upgrades to meet forthcoming regulatory standards. This "Flex Fund" will be allocated based on the success of earlier projects and the implementation of new regulations.

If the voters approve, what projects will the Margate Water and Wastewater Improvement Bond fund?

The proceeds of the revenue bonds would fund significant improvements and upgrades in water and wastewater utility systems. These projects aim to address aging infrastructure, ensure compliance with regulatory requirements, and improve the overall efficiency and reliability of the systems, including:

1. \$60 million allocated for one or both of the necessary projects:
 - a. Water Line Replacements:

The City maintains over 213 miles of water mains, 35% of which are made from asbestos cement (AC) and are 60 years old. While AC does not affect water quality, it is a brittle material that is susceptible to frequent breaks, resulting in costly emergency repairs. In 2022, the city addressed 6,717 work orders, primarily due to issues with this aging infrastructure. In a proactive step, the utilities have decided to begin replacing these AC pipes before they fail to prevent future problems.
 - b. Wastewater Treatment Plant Upgrades:

The East Wastewater Treatment Plant (WWTP), located at 908 NW 66 Ave, is the City's inaugural wastewater facility and operates in conjunction with the City Water Treatment Plant. When operating at peak efficiency, this facility can process up to 2 million gallons of wastewater per day. In 1980, to accommodate growing demands, the City inaugurated the West Wastewater Treatment Plant across the street at 6630 NW 9 Street. This second facility significantly increased the City's treatment capacity by an additional 7.9 million gallons, bringing the total capability to 10 million gallons daily. Currently, the volume of wastewater treated by the City fluctuates with the weather, averaging from 6-7 million gallons on clear days and nearing the full 10 million gallon capacity during tropical storms or heavy rainfall. Additionally, the Department of Environmental Protection (DEP) has been tightening wastewater treatment regulations, and the City's current technology struggles to meet these stricter standards. This is primarily due to the outdated treatment technology and general wear and tear of the facilities. As a result, the City operational permit received a mandate from the DEP requiring a replacement of the existing treatment system, specifically the Rotating Biological Contactor (RBC) located at West

Plant, with more advanced treatment technology. In response, the City plans to undertake major equipment upgrades alongside expansions at the West Plant to handle an additional 2 million gallons per day. This will increase the plant's total processing capacity to 12 million gallons daily. The expansion is designed to support future growth, improve storage capacity, and ensure consistent and reliable treatment during severe weather conditions. This strategic upgrade will consolidate wastewater treatment operations at the West Plant and decommission the older East Plant. This move will reduce equipment and operational costs by centralizing these functions at one facility, while the adjacent East site will then focus exclusively on drinking water treatment. This transition not only optimizes the City's treatment facilities but also positions them to better serve the community's needs into the future.

2. \$30 million

The proceeds of this second bond issuance will be allocated for water and wastewater projects aimed at meeting new EPA regulations. This funding could be utilized to support initiatives such as:

- Implementing advanced filtration and treatment technologies to reduce PFAS/PFOA levels in drinking water, ensuring safety and compliance with the latest federal standards.
- Upgrading wastewater treatment processes to enhance biosolids management, optimizing the handling and disposal of biosolids in accordance with new environmental regulations.

3. \$30 million

This third bond issue is anticipated for Fiscal Year 2030. The proceeds of this bond will serve as a flexible contingency fund to address additional wastewater upgrades or future regulatory requirements for the City's drinking water.

How will this affect my taxes?

Because Revenue Bonds are not repaid through increases to property taxes, if the voters approve and the referendum ballot question passes, there will be NO increase in property taxes.

What happens if the Margate Water and Wastewater Improvement Bond Referendum does not pass?

If the proposed Bonds are not approved, the City will need to explore alternative funding sources, such as increased taxes or higher utility rates, to upgrade the aging water and wastewater systems. Additionally, the City is seeking grant funding to partially finance these projects. However, it is important to note that grants are not guaranteed and usually only subsidize a small portion of the total project costs.

What is the ballot question?

TO ENSURE THE PUBLIC'S SAFETY AND HEALTH AND TO COMPLY WITH ENVIRONMENTAL REGULATORY REQUIREMENTS, SHALL THE CITY OF MARGATE ISSUE DEBT, NOT EXCEEDING \$120,000,000 WATER AND WASTEWATER IMPROVEMENT REVENUE BONDS, IN ONE OR MORE SERIES, BEARING INTEREST AT RATES NOT EXCEEDING THE MAXIMUM LEGAL RATE AND MATURING NOT LATER THAN THIRTY YEARS AFTER THE ISSUANCE DATE(S), PAYABLE FROM WATER AND WASTEWATER REVENUES, TO FINANCE THE COST OF IMPROVEMENTS TO THE CITY'S WATER AND WASTEWATER SYSTEM?

FOR BONDS _____

AGAINST BONDS _____

How can residents stay informed and engaged?

For additional information, please contact:

City of Margate

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Visit our website for detailed project descriptions, FAQs, and voting information.