Peirce Island WWTF Upgrade Bond/SRF Funding

Portsmouth City Council Meeting
March 7, 2016
Peter Rice – Director of Public Works
Judie Belanger – Finance Director
David Hyder – Burton & Associates
## Project Cost Estimate

<table>
<thead>
<tr>
<th>Items</th>
<th>Cost (Million Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Clarifier Project (Eng, Const, etc.)</td>
<td>$1.7</td>
</tr>
<tr>
<td>Treatment Upgrade Final Design Phase</td>
<td>$5.0</td>
</tr>
<tr>
<td>Construction &amp; Contingency</td>
<td>$70.4</td>
</tr>
<tr>
<td>Construction Admin &amp; Oversight</td>
<td>$6.7</td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>$83.8</td>
</tr>
</tbody>
</table>
# Proposed SRF/Bond Authorization

<table>
<thead>
<tr>
<th>Items</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost</td>
<td>$83.8</td>
</tr>
<tr>
<td>Previous Bond Authorization 8/5/13</td>
<td>$10.0</td>
</tr>
<tr>
<td>Proposed Authorization (Up To)</td>
<td>$75.0</td>
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</table>
Clean Water SRF

Benefits:

• Draw down funds as the City needs them to pay invoices
• Loan payments begin one year following substantial completion (FY21)
• Principal Forgiveness of 5% (up to $3.75M)
• Lock in Interest Rate 2.55% for a 20-Year Loan Term

STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES

Clean Water State Revolving Loan Fund
DRAFT Intended Use Plan
Federal Fiscal Year 2015 Capitalization Grant

* Updated: 02/05/2016
City of Portsmouth Debt Use SRF

SRF Annual Debt Service Schedule

Construction: No Payments

Millions

FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25 FY26 FY27 FY28 FY29 FY30 FY31 FY32 FY33 FY34 FY35 FY36 FY37 FY38 FY39 FY40

March 7, 2016
Utility Rate Model

The rate model serves as the key tool to assist in long-term planning:

• Allowing for prudent financial planning which results in predictable rate increases

• Allowing for funding of significant capital projects

• Allowing for proactive management of the systems which results in lowest rates over time
Utility Rate Model

• City has been using the rate model since 2012.

• It is updated annually to include budget and actual operating expenses and the detailed 6-year capital improvements plan.

• Model forecasts system expenditures and revenues over a ten-year period

• The model has allowed for prudent financial planning within the Water and Sewer Enterprise Fund.
Established Rate Stabilization policy in FY14 as part of ongoing rate modeling.

Increase net position or utilize net position to stabilize user rates from year to year

Goal of policy has been to establish a glide path of predictable and stable rate adjustments.
## Sewer Fund Rate Stabilization – Contribution to Net Position

<table>
<thead>
<tr>
<th></th>
<th>FY 14</th>
<th>FY 15</th>
<th>FY 16</th>
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</thead>
<tbody>
<tr>
<td>Annual Contribution to Net Position</td>
<td>$1,834,826</td>
<td>$1,545,000</td>
<td>$2,400,000*</td>
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<tr>
<td>End of Year Net Position</td>
<td>$1,834,826</td>
<td>$3,379,826</td>
<td>$5,779,826</td>
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</tbody>
</table>

*FY16 budget
Financial Plan with Debt Service Repayment

Sewer Fund Revenue Requirements

- FY 17: $0
- FY 18: $4
- FY 19: $4
- FY 20: $4
- FY 21: $4
- FY 22: $4
- FY 23: $4
- FY 24: $4
- FY 25: $4
- FY 26: $4

Utilize Net Position

- FY 17: $0
- FY 18: $1
- FY 19: $1
- FY 20: $1
- FY 21: $1
- FY 22: $1
- FY 23: $1
- FY 24: $1
- FY 25: $1
- FY 26: $1

Increase Net Position

- FY 17: $0
- FY 18: $4
- FY 19: $4
- FY 20: $4
- FY 21: $4
- FY 22: $4
- FY 23: $4
- FY 24: $4
- FY 25: $4
- FY 26: $4

Sewer Revenues with Financial Plan

March 7, 2016
Single Family Residential Estimated Average Monthly Sewer Bill (5 units)
National Perspective

Water and Sewer Utilities are facing significant financial challenges:

• Tremendous reinvestment needs due to aging infrastructure
• Increasing regulatory requirements / associated capital investments
• Economic downturn
• More efficient water use
• Disappearance of grant funds

To meet these financial challenges rates have increased substantially
Ellsworth, ME

Completed construction of $21 million wastewater treatment plant in 2012 (replaced 1978 WWTP)

• Since completion City has used General Fund dollars to help meet funding gap
• City recently (2/8/16) voted to increase sewer rates 43%
• Yearly sewer bill increase of $165 for average residential customer
Nashua, NH

Undertaking significant sanitary sewer line replacement program (5,000 linear feet per year)

• Estimate state aid reductions have reduced revenues by over $20 million over last decade

• Taking a phased approach to increasing rates:

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>15%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
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</tbody>
</table>
Northborough, MA

Wastewater treatment upgrade and expansion (portion of $30 million)

• Adopted a quarterly fixed sewer charge and increased rates by 20% in 2013 in anticipation of debt service
• Anticipate required increases of 20% per year over next three to four years
The City’s approach to funding the WWTP can be considered an industry best practice for several reasons:

• Use of proactive long-term planning

• Establishment of a rate stabilization policy – Allowing glide path of predictable and stable rate increases

• Use of low interest rate SRF Program
  • Minimizes borrowing costs
  • Locks in interest