



# Peirce Island WWTreatment Plant 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

Items	Cost (Million Dollars)
Primary Clarifier Project (Eng, Const, etc.)	\$1.7
Treatment Upgrade Final Design Phase	\$5.0
Construction & Contingency	\$70.4
Construction Admin & Oversight	\$6.7
Total Project Cost	\$83.8



# Proposed SRF/Bond Authorization

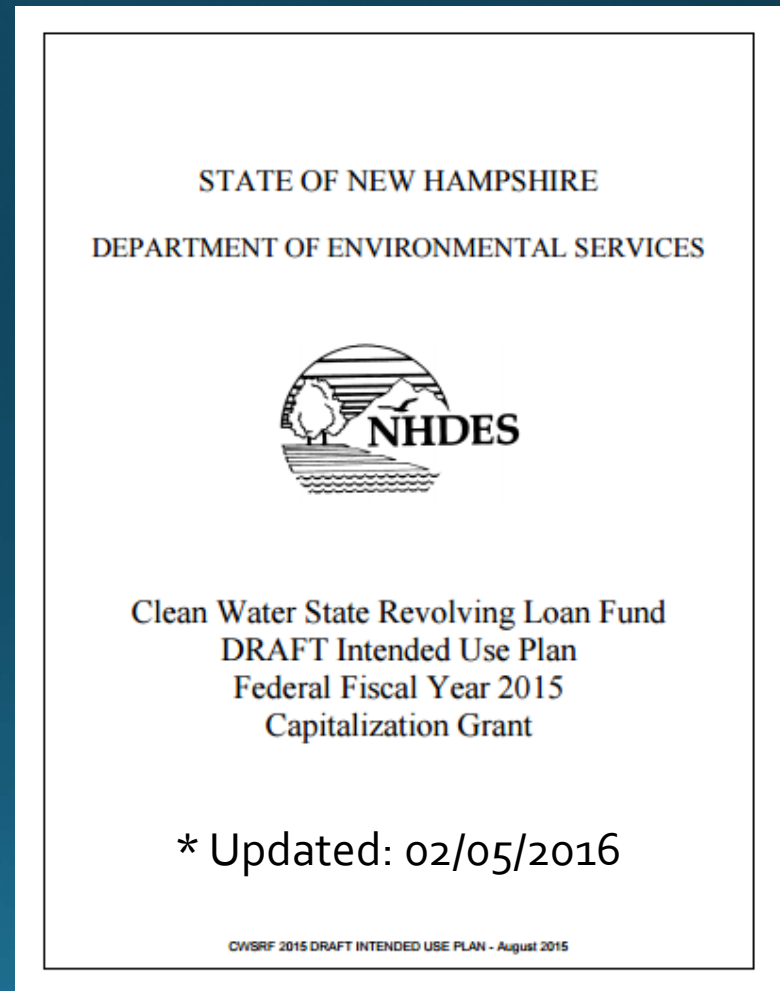
Items	Cost (Million Dollars)
Total Project Cost	\$83.8
Previous Bond Authorization 8/5/13	\$10.0
Proposed Authorization (Up To)	\$75.0



# Clean Water SRF

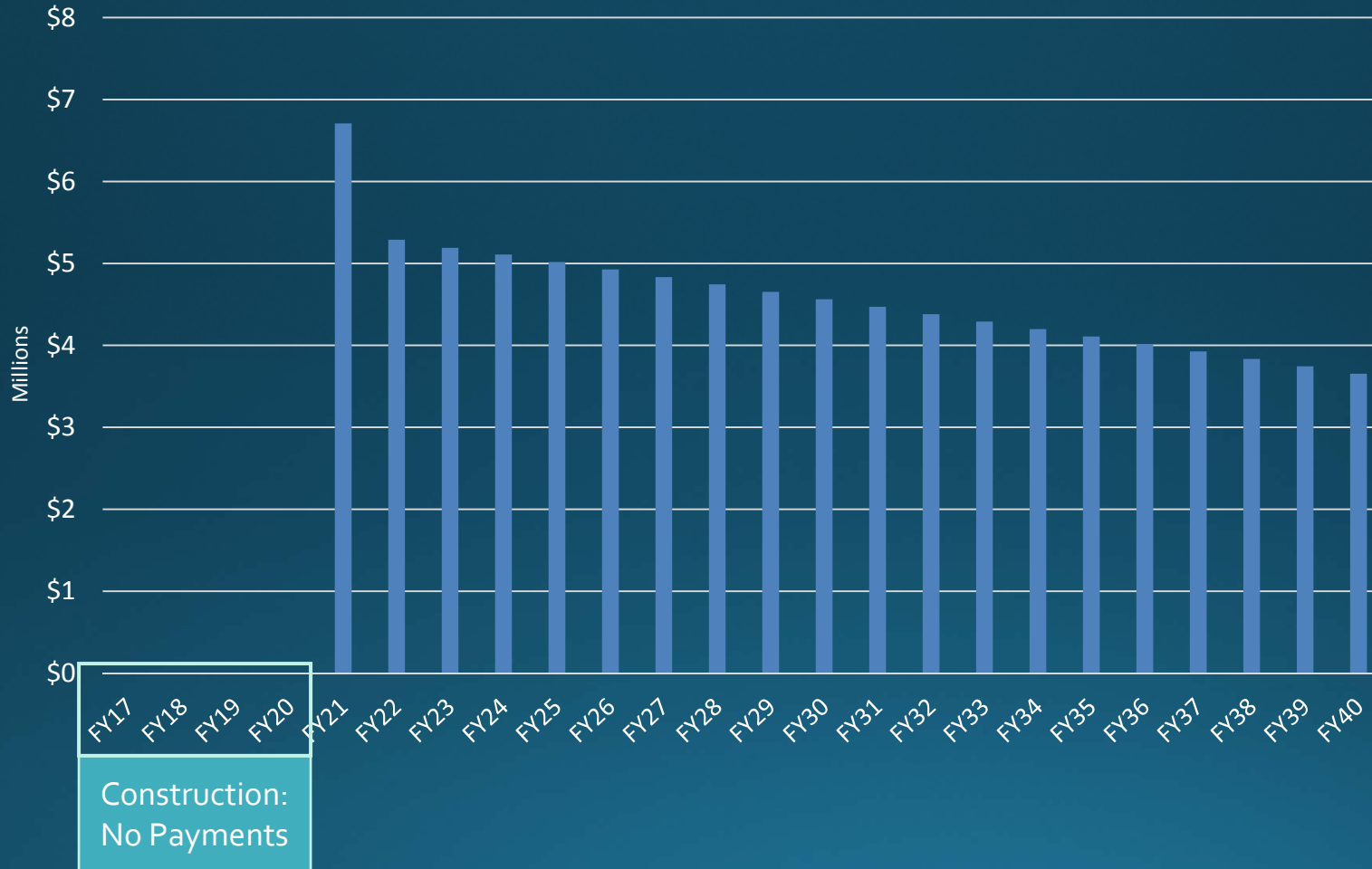
## Benefits:

- 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



# City of Portsmouth Debt Use SRF

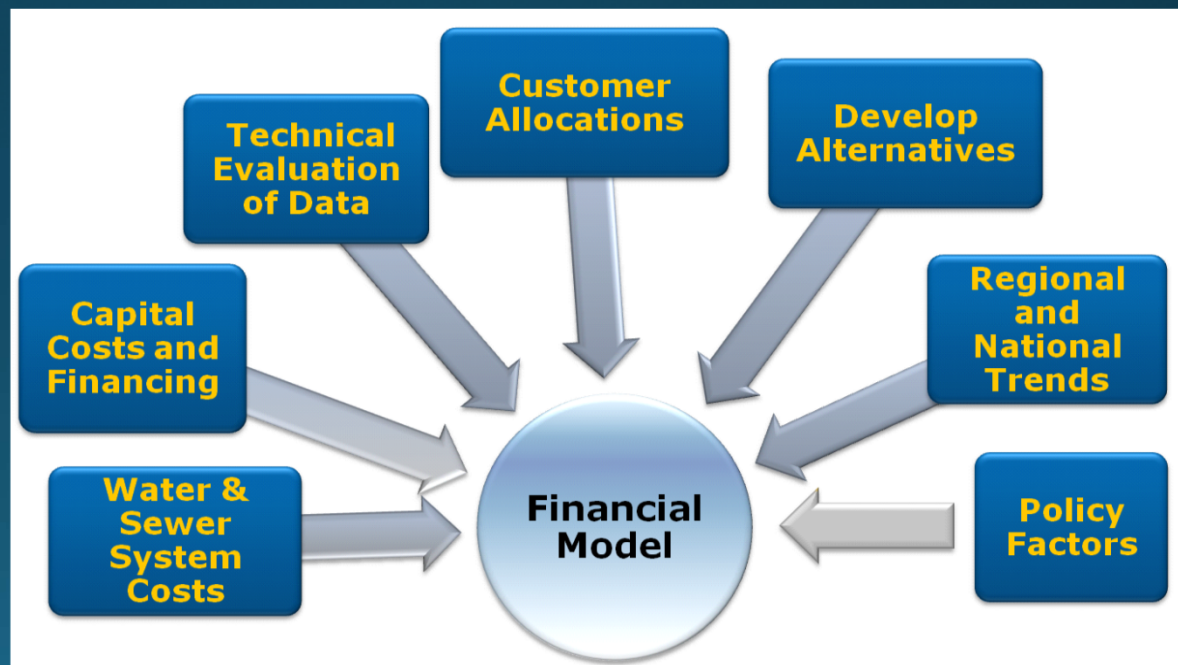
SRF Annual Debt Service Schedule



# 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.



# Rate Stabilization Reserve Policy

- 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.





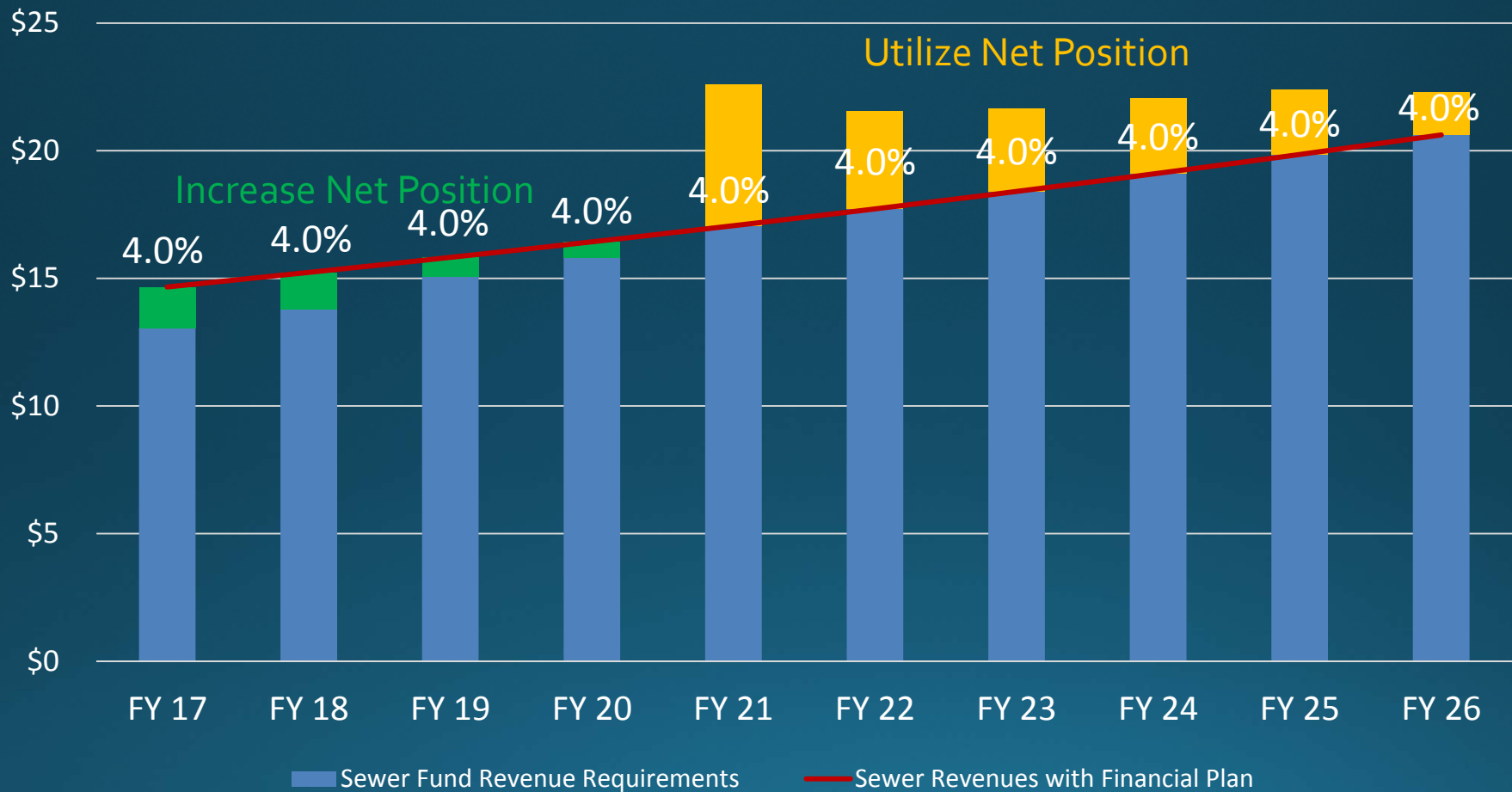
# Sewer Fund Rate Stabilization – Contribution to Net Position

	FY 14	FY 15	FY 16
Annual Contribution to Net Position	\$1,834,826	\$1,545,000	\$2,400,000*
End of Year Net Position	\$1,834,826	\$3,379,826	\$5,779,826

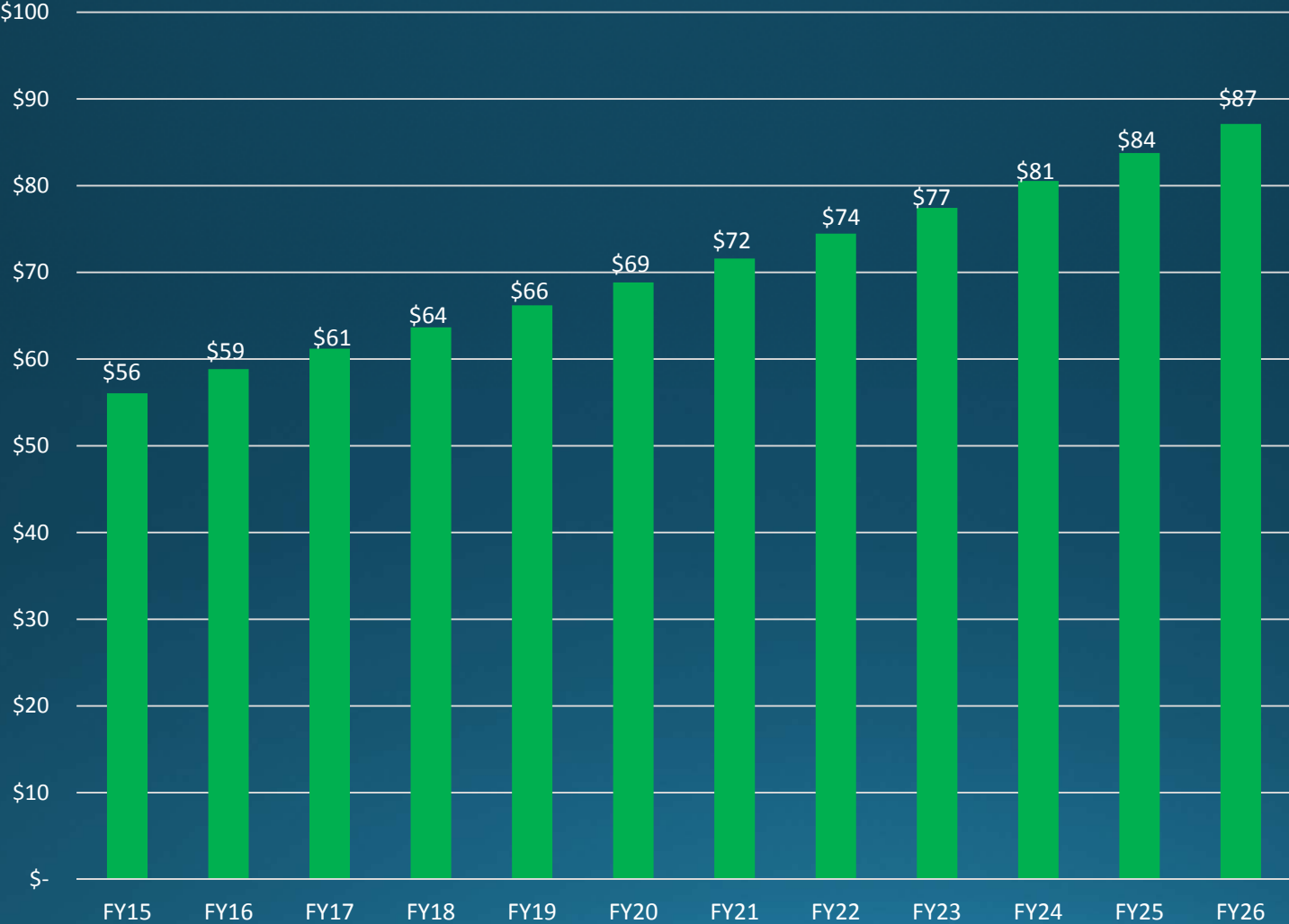
*\*FY16 budget*



# Financial Plan with Debt Service Repayment



# 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

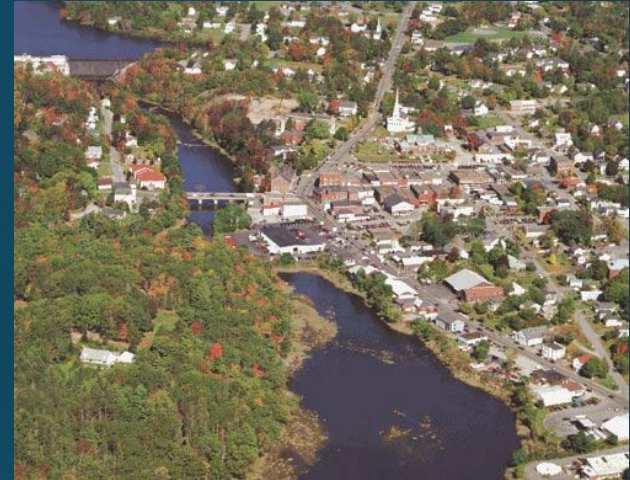
To meet these financial challenges rates have increased substantially



# 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:



2014	2015	2016	2017	2018	2019
15%	10%	10%	10%	5%	5%



# 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

