

Town Council Meeting

Comprehensive Wastewater Management Plan 5 Year Cost Projection (FY23-FY27) and Funding Options

November 18, 2021

Fiscal Policy

- The Fiscal Policy under review by Town Council
 - Commenced the fiscal policy discussion at a Special Town Council meeting held on October 29, 2020 followed by a second meeting on April 29, 2021 and a third meeting on August 5, 2021
 - Fiscal policy under consideration would establish how to equitably distribute the cost of the Comprehensive Wastewater Management Plan (CWMP)
 - The Town had established significant revenue sources in the last decade to offset more than one-half of the estimated cost of the CWMP
 - The policy under discussion is how to pay for the remaining costs
 - Town Manager's proposal to Town Council included the following:
 - First, review and approve a Sewer Assessment Ordinance which includes a sewer assessment to each individual property receiving the planned sewer (Approved 7/1/2021); and
 - Second discuss the use of general funds to pay for the remaining portion of cost associated with proceeding with the CWMP

“Implementation of an Adaptive and Changing Plan”

The CWMP needs to be adaptive to change and flexible

- Led by in-house staff using consultants to augment where needed
- Able to adapt to changes in technology, regulation, finance and of our community
 - Received approval from State and County for CWMP
 - Town Council approved the Sewer Assessment Ordinance
 - Commenced discussions with Board of Health
 - Connection of properties to existing sewers
 - Working with residents in areas to be sewerred that need to address their Title 5 system prior to extending the sewer
 - Innovative/Alternative Technologies
 - Designations of nitrogen sensitive areas beyond the areas to be sewerred in the CWMP
 - Pending litigation with CLF
 - Created a Lakes & Ponds team to focus on freshwater systems
 - Continue to lead the discussion of Emerging Contaminants in the Commonwealth
- This is a 30 year plan and reviewed in 5 year increments to allow for such adaptation
- We have proceeded with both traditional and non-traditional projects in our CWMP with capital project approvals by Town Council of approximately \$65M
- The approval in FY 2022 of an operating section staffed and budgeted for implementation of the CWMP

Progress To Date

- 60+ Million Appropriated for Program
- Dedicated Resources:
 - Meals tax - \$1.5 million generated annually
 - Rooms tax (traditional and vacation rentals) - \$2.1 million generated annually
- Cape & Islands Water Protection Fund
 - First subsidies awarded - \$8 million paid over 4 years
 - Applied to project financing by the Trust
- Sewer assessment ordinance adopted on 7/1/2021

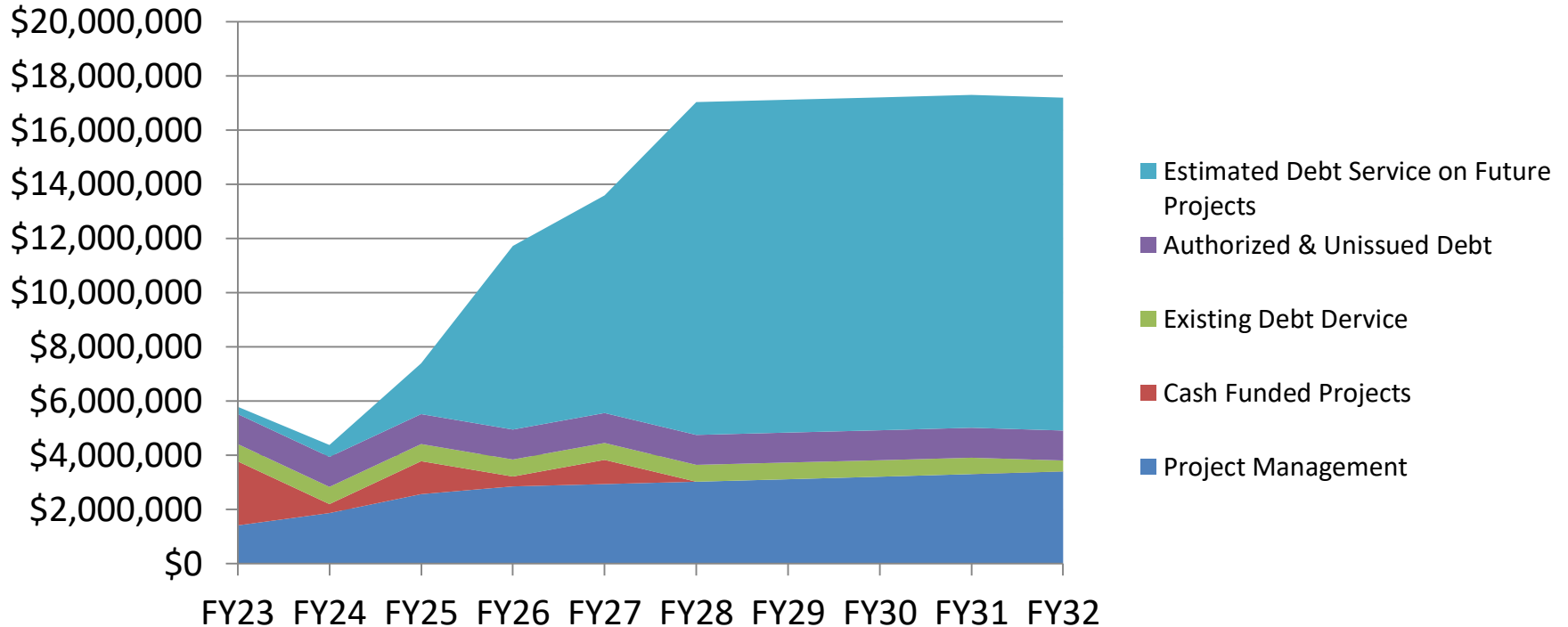
Estimated 5 Year Project Costs

KEY
Preliminary Design
Final Design
Construction

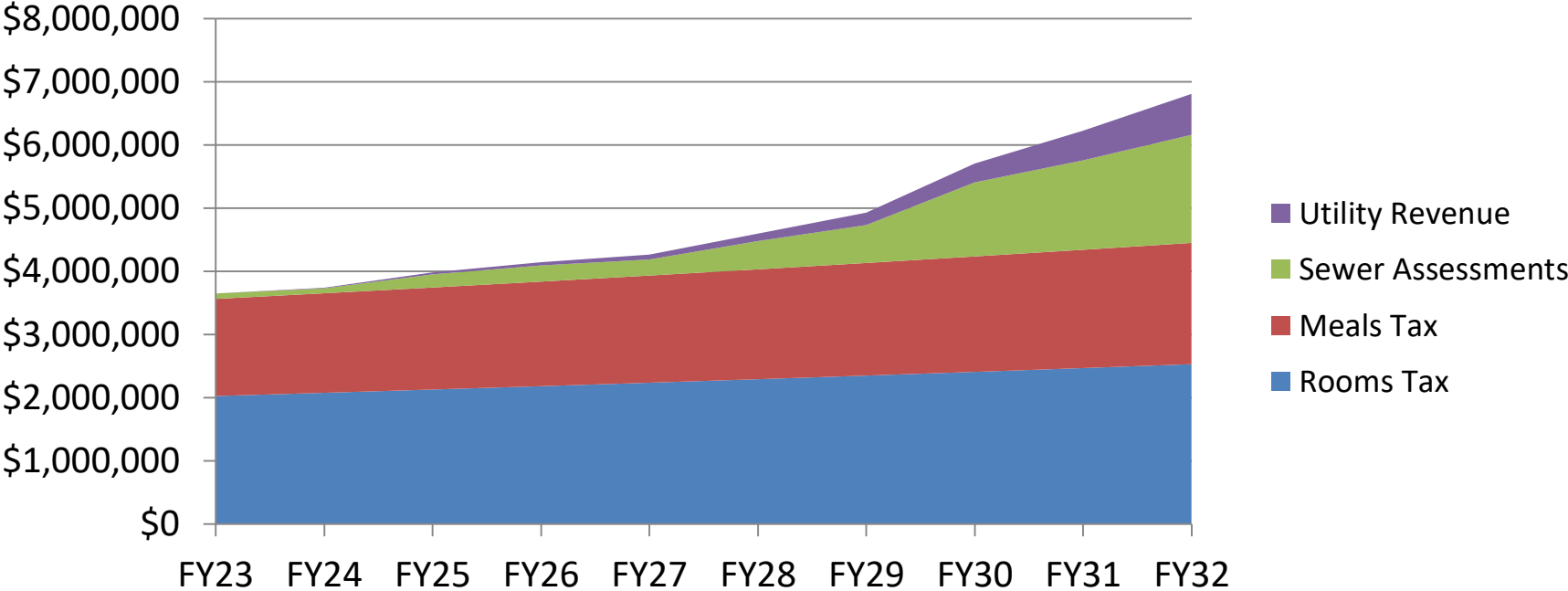
Costs were prepared using 2021 dollars and inflated by 5% per year for anticipated increases in construction costs.

Sewer Expansion Collection System Projects - Phase 1						
Phase 1						
Project	FY23	FY24	FY25	FY26	FY27	TOTAL
Vineyard Wind 2 Route		\$30,870,000				\$30,870,000
Phinneys Lane			\$37,044,000			\$37,044,000
Route 28 West			\$40,516,875			\$40,516,875
Old Yarmouth Road	\$288,750	\$661,500		\$8,690,870		\$9,641,120
Old Craigville Road	\$630,000	\$1,543,500		\$20,663,606		\$22,837,106
Long Pond Area					\$44,669,855	\$44,669,855
Shootflying Hill Road	\$393,750		\$1,012,922		\$9,125,413	\$10,532,085
Long Beach		\$330,750	\$810,338		\$10,210,253	\$11,351,340
Great Marsh Road			\$578,813	\$1,458,608		\$2,037,420
Osterville Woods			\$636,694	\$1,519,383		\$2,156,077
South County Road				\$364,652	\$893,397	\$1,258,049
Prince Cove					\$510,513	\$510,513
Huckins Neck					\$382,884	\$382,884
TOTAL COSTS - COLLECTION SYSTEM	\$1,312,500	\$33,405,750	\$80,599,641	\$32,697,118	\$65,792,315	\$213,807,323
WPCF Sewer Expansion Related Upgrades - Phase 1						
Phase 1						
Project	FY23	FY24	FY25	FY26	FY27	TOTAL
Aeration Upgrades	\$210,000		\$6,366,938			\$6,576,938
Nitrogen Removal Improvemements at WPCF	\$3,150,000		\$40,516,875			\$43,666,875
Effluent Disposal Improvements	\$1,050,000	\$3,858,750			\$44,669,855	\$49,578,605
TOTAL COSTS - WPCF UPGRADES - CWMP	\$4,410,000	\$3,858,750	\$46,883,813	\$0	\$44,669,855	\$99,822,417

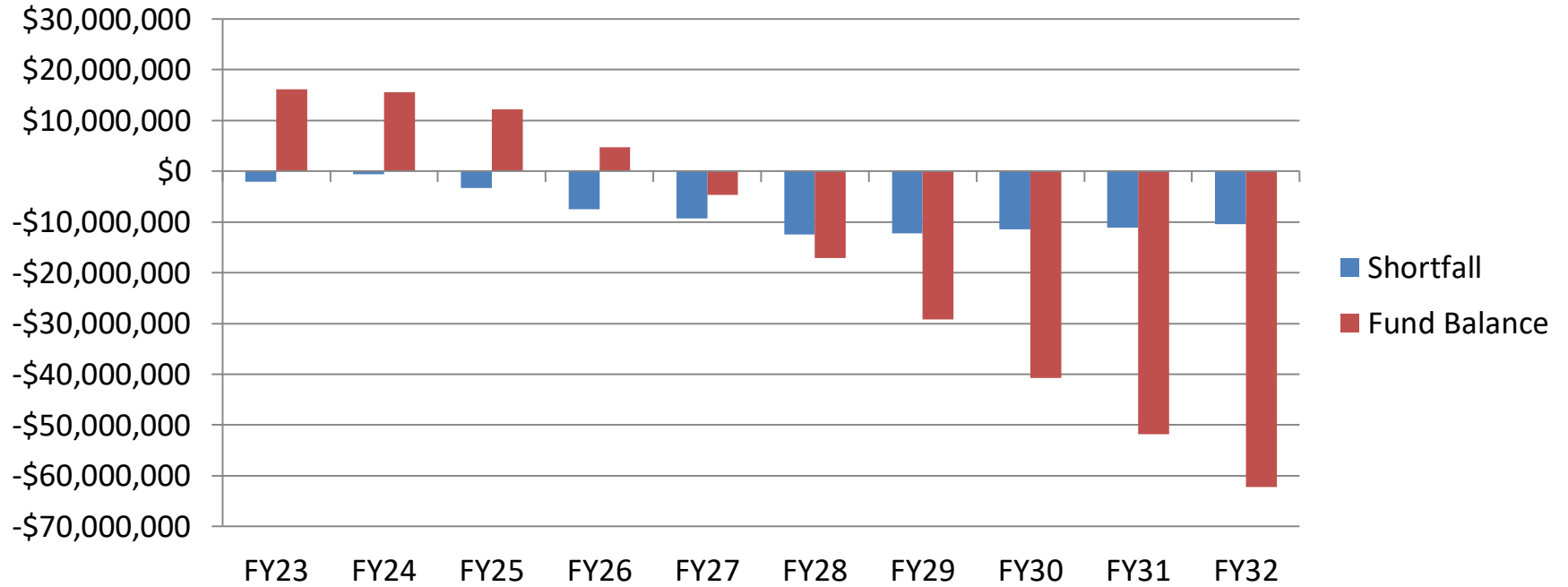
Projected Program Cash Outflows



Projected Program Cash Inflows



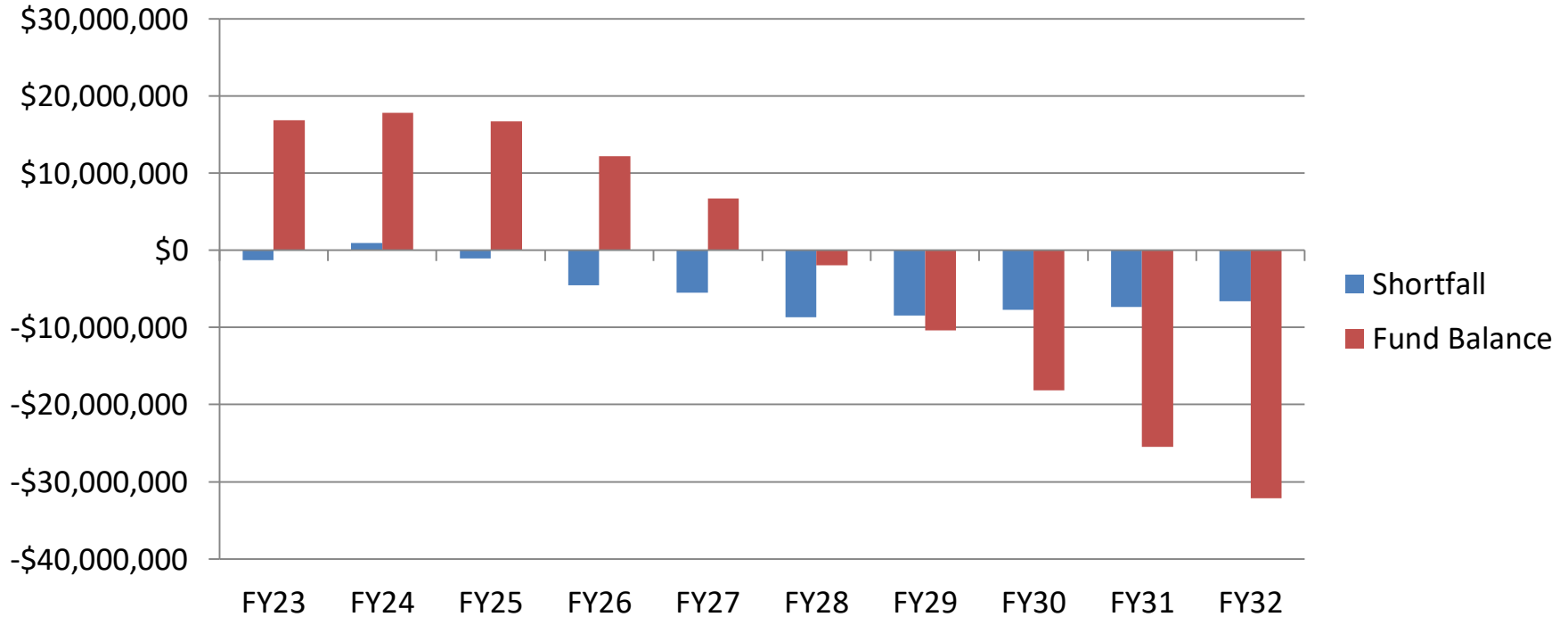
Program Cash Shortfall And Fund Balance



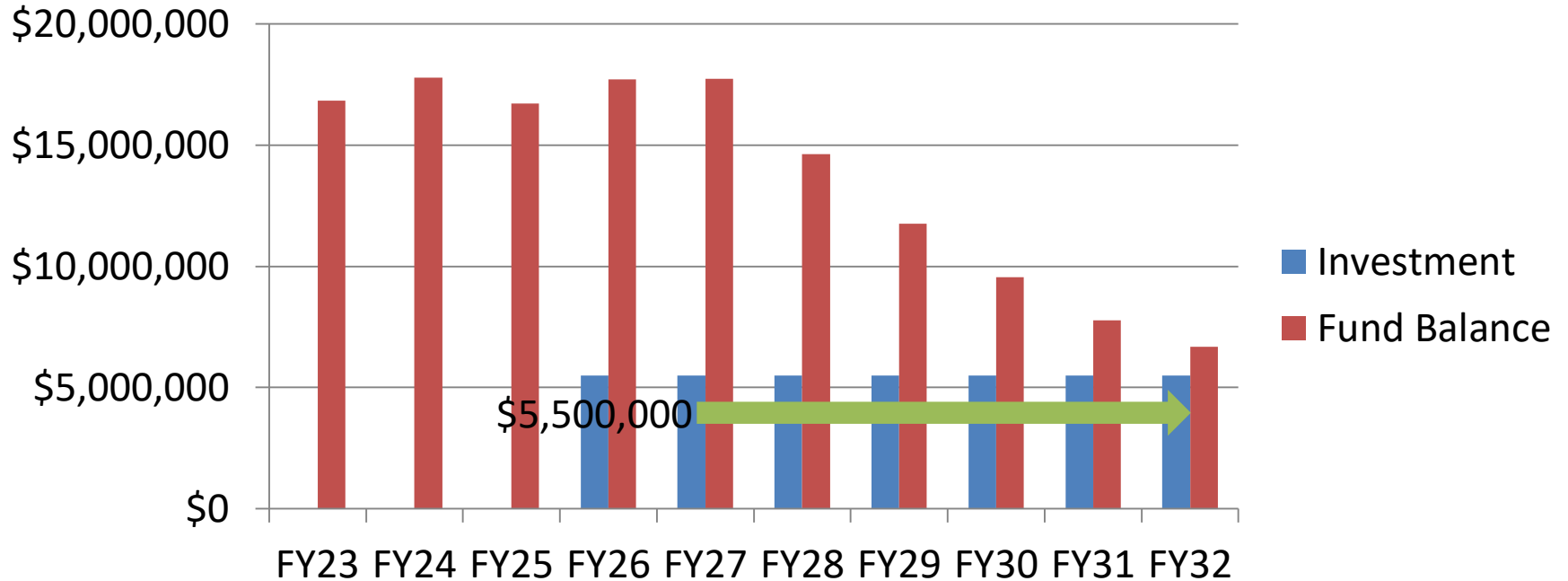
Option To Partially Close Funding Gap

- Direct Revenue From New Property Tax Growth for 5 Years
 - Estimated at \$750,000 per year
 - By year 5 the result is \$3.75 million annually for program
- Growth in operating side of budget will be limited by:
 - Base increase in tax levy of 2.5%
 - Plus or minus any change in state aid
 - Plus or minus any change in other local receipts; motor vehicle excise, etc.
- Consequences:
 - Reduces funding for operating budgets; fixed costs, education, police, public works, etc.
 - Operating budgets supplemented with General Fund reserves when available and necessary

Shortfall After Applying New Growth



Additional Investment Needed



Options To Raise Additional Investment

- Water Infrastructure Investment Fund (WIIF)
 - Maximum surtax is 3%
 - Would generate less than \$4 million annually; not enough on its own
- Redirect more of the existing property tax levy from other areas of the budget (operating and capital) to the CWMP
- Special legislation authorizing a real estate transfer fee similar to Martha's Vineyard Landbank
 - A 2% transfer fee would need \$275 million in real estate transfers annually to generate \$5.5 million in revenue
- Increase in the property tax levy with a debt exclusion override
- Combination

Tax Rate Impact Of Additional \$5.5 Million Investment

FY22 Tax Levy	\$136,243,968
÷ FY22 Tax Rate	<u>785</u>
Every penny raises	\$173,559
Additional investment	\$5,500,000
	<u>÷ 173,559</u>
Impact on Tax Rate (rounded)	\$0.32

Tax Bill Impact on Median Assessed Value of \$412,600 = \$94
(A property eligible for the residential exemption)

Summary

- \$313 million over the next 5 years in estimated project costs
- Projects will be funded with 30 year loans
 - Payback on final loan for this time period estimated to begin in FY28
 - Projected annual loan payments by FY28 and beyond are estimated at \$14 million per year
- Existing resources are insufficient to cover all anticipated loan requirements
 - An additional \$5.5 million is needed annually by FY26 to cover all costs associated with this 5 year period
 - Decision on how to raise the \$5.5 million should be made before the appropriations for projects scheduled in FY25 come forward
- Additional resources will likely be required to fund the next 5 year phase occurring in FY28 – FY32