

## Sewer Meeting Memo 10.8

A sewer working group including Brent Bridges(W&C),Lee Arris(SD),Brett Richardson(FEDC) Darrel Fournier(TC) and Ed Bradley(TC) met at Town Hall to discuss issues related to the cost and funding of projects needed for the operation and well being of the Freeport Sewer District.The goal of the meeting was to identify the needs and possible funding sources to develop approaches to bring to a larger committee that will make recommendations to the Town Council about potential collaboration between the Sewer District and the Town

The group began by discussing the current project needs of the sewer district.Guided by Bent Bridges and Lee Arris the following project and financing needs were identified;

- 1) The upgrade of the pump stations and upgrades and reconfiguration of the treatment plant outlined in the W&C project plan under consideration by the Rural Development Agency for grant and loan funding in the aggregate amount of 17 million dollars
- 2) The replacement of the current plant chlorine water purification system by an ultraviolet purification process in the amount of 2 million additional dollars Currently being considered by RD
- 3) Repair and replacement of force mains located on Route One South and from Downtown to Lower MastLanding for a cost of 4.5 million dollars

The group also discussed the capacity of the plant to handle projected growth in the District , particularly the downtown, which is currently being reimagedined .Brent and Lee were clear that current capacity is adequate to address projected growth being encouraged by the downtown plan since growth in sewer use actually being experienced in Maines fastest growing communities(Scarborough and Ellsworth) occurs at a rate of 1% annually and the plant is currently operating at approximately 40%

Two additional areas of cost discussed that did add to the list of reasonably expected expenses were depreciation of infrastructure and spot failures that can be expected to occur in the clay mains in the downtown area which are experiencing regular but smaller failures that were expected to recur intermittently(\$400,000)Note :Depreciation expenses are currently met by collection fees which are averaging \$35-\$100.00 annually.

As a starting point for the discussion about funding for these expenses Lee Arris indicated that his current ratepayers revenues cover his existing operating and maintenance costs. He expects these costs to continue at current levels so he plans to meet the annual debt service expenses of the projects identified(around \$700,000) by increased user fees. For the sewer district to meet these costs by itself his plan is to increase rates 13% this year then 5% annually for the next ten years .The district's plan for depreciation and operational emergencies is to continue to collect connection fees (\$100,000 annual average) into a reserve account. We did not discuss whether a reserve account funded at that rate would meet the long term needs of the rebuilt plant. Lee did estimate that the impact of the proposed rate increase will be to raise the annual sewer fee per household by \$70 each year for ten years?(I m not sure I have this right)

With this understanding of the rate structure increases the district would face using its existing revenue sources to fund the projected needs ,the group discussed the possibility that the Town of Freeport could supplement the revenues available to the District.The question was initially raised last spring because of the Town's concern about the effect connection fees charged by the sewer district could have on revisioning goals. Today's discussion reflected the greater scope of the appreciation for the town- wide benefits provided by the Sewer including the potential economic growth it can support. Brent related the recent decisions of Towns like Bridgton ,York, Waldoboro and Lincolnville to contribute to sewer costs .Generally speaking these towns decided not to fund operations but rather focused their support on capital improvements (up to 100% in York) or a % of debt service(35% in Lincolnville) With the larger scope of benefits in mind the group discussed the possible sources of Town financial support for District Projects. We did not directly consider the impact of the increases Lee is considering on ratepayers( ie are they reasonable ?)

Brent Bridges cautioned that most federal grant sources available to the district would reduce the grant that Rural Development is considering. New grants received by the Sewer District would reduce the grant awarded by Rural development .That makes Town funding of sewer project expenses not covered by the RD grant portion critical to reducing District costs. To this point the Town could help by agreeing to fund capital costs not included in the grant portion of the expected RD grant or by covering interest fees on the loan portion. Since the force mains and ultraviolet purification projects could be outside the purpose of the RD grant they are both costs the Town could help fund without reducing the RD grant. We discussed funding sources available to the Town including:

EDA

ARPA(Jan Application)

TIF(zoning issues must be addressed)

MDOT

Earmarks(Again)

Brett Richardson expressed his inclination to seek EDA funds on the basis of the development benefits derived from fixing the forced main which would open Route One south to development and address the contamination risks due to the forced main running from Downtown to Mast Landing that impact the Downtown revisioning and the water quality and productivity of our coastal waters

He cautioned the need to pair this with TIF development to raise the Town share and zoning changes which would need to be addressed at the same time as The EDA grant application. Generally speaking gathering support from the potential beneficiaries as well as soliciting responsible agency support was considered desirable.

While there are other sources revenue available to the town they were not specifically discussed. At our next meeting we could discuss Town revenue Bonds and reserve accounts funded by property tax as possible sources of revenue for these purposes.

After a brief discussion of the political and regulatory challenges to the collaborative financing approach the Towns concern about connection fee impacts was raised and a general understanding that the issue

could be addressed in the context of Town commitments to contribute to the sewer district financing obligations

As a closing matter Ed Bradley asked the Members to review his suggestions for additional members and get back to him with comments and suggestions.

Respectfully submitted

Ed Bradley

Please review and provide me with any corrections or additions you think are desirable. Let's make this as clear and accurate as we can.