

Cooper Lake Dam Remediation and Intake Rehabilitation Project

Financial Implications

November 18, 2019
Kingston Water Department

Total Project Costs

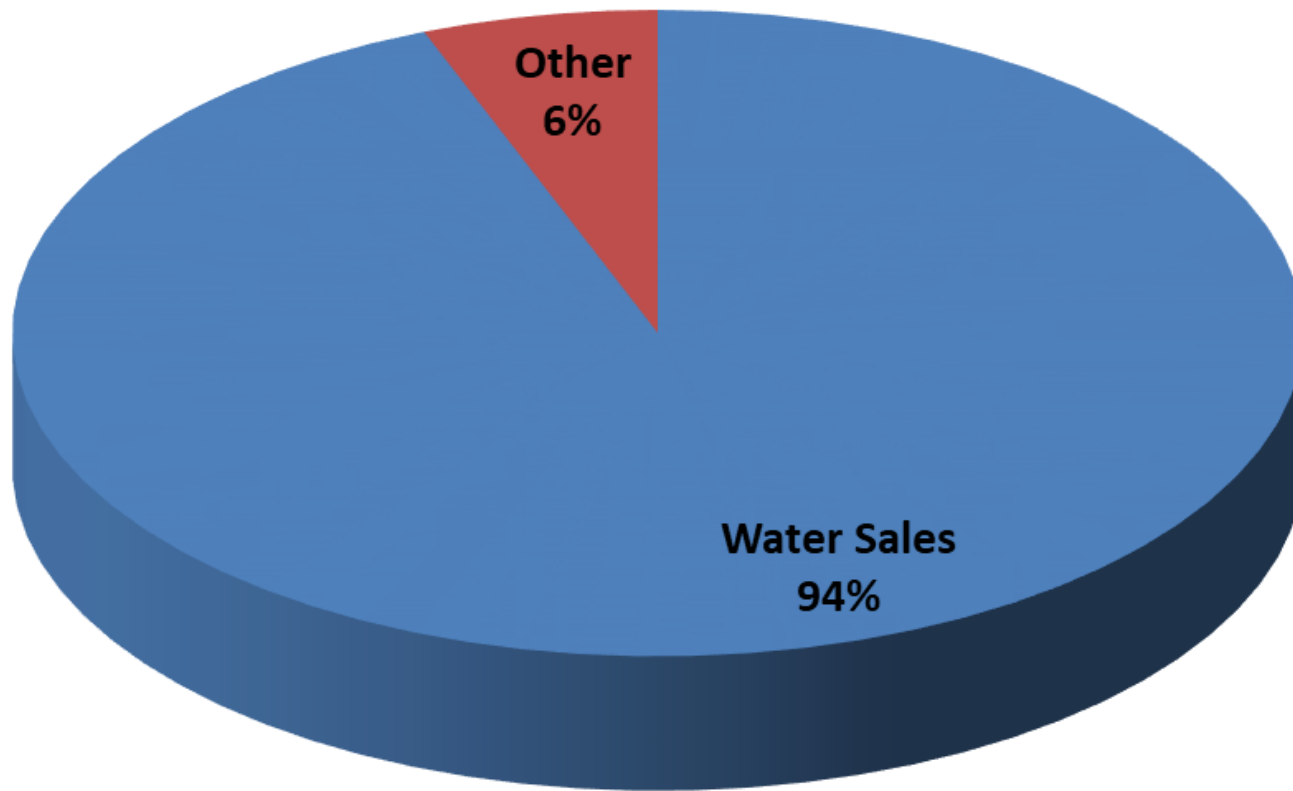
Estimated to be \$12 million +/-

- Includes Engineering and Construction
- Estimate means that actual cost will be in that range but until we have bids, it is only an educated guess

KWD 2019 Budget: \$4.8 Million

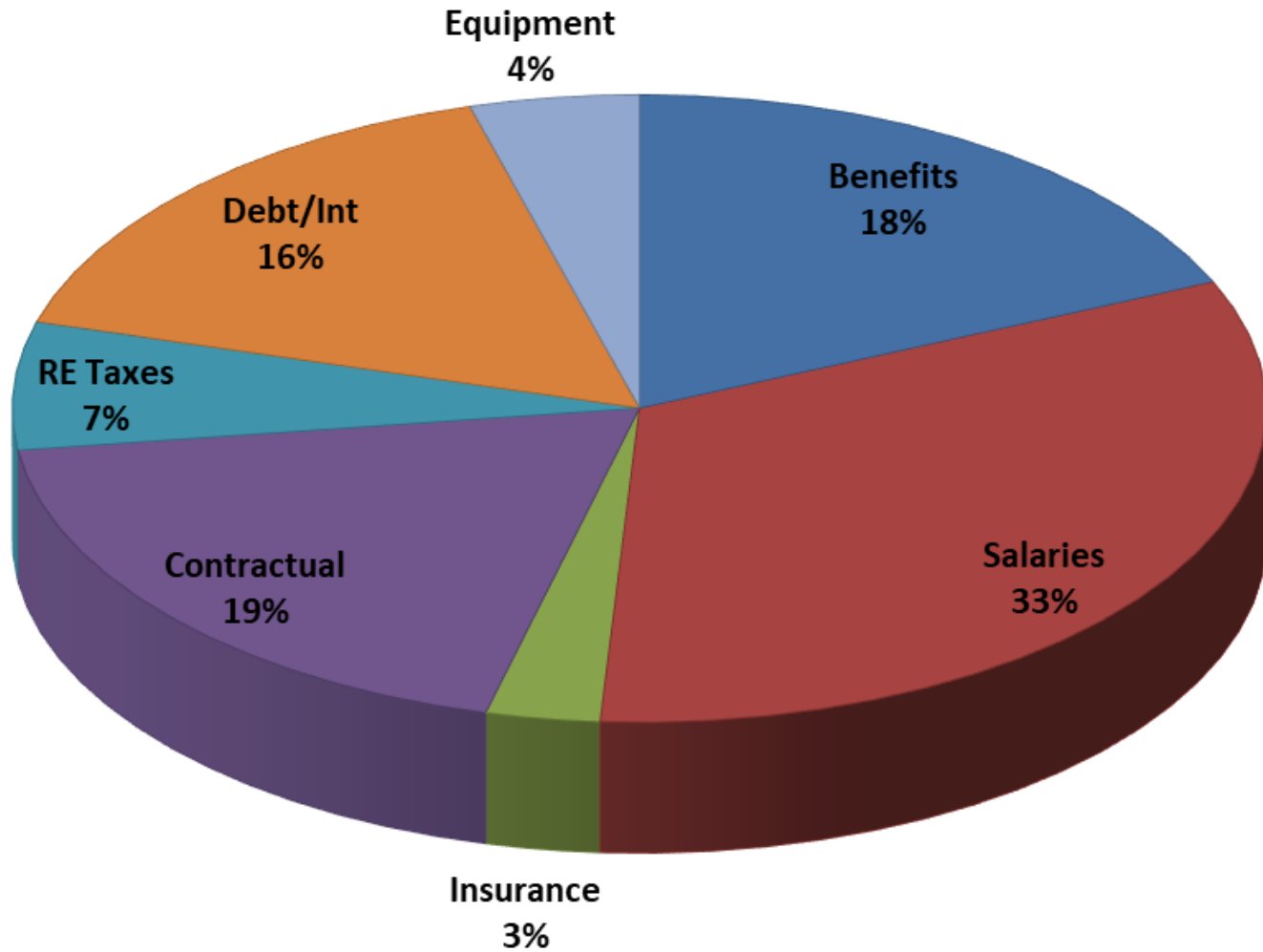
- Where does the money come from.....
 - Sale of water and related activities funds operations and capital improvements
 - Water sales = \$4.5 million
 - 300k from related activities
 - No revenue from taxes
 - Every \$45k increase in spending = 1% increase in rates

2019 Budgeted Revenue
\$4,868,700



2019 Proposed Budget Expenses

\$4,868,700



Funding Sources

- Grants
 - **After an exhaustive search of federal and NYS programs, there are no grants/reduced rate financing available for dam repair!**
 - Phase 1 and Phase 2 = \$7 million
 - Since they involve water supply this portion of the project is eligible for funding under DWSRF and WIIA

WIIA and DWSRF

Water Infrastructure Improvement Act

- Grant program established by Governor in 2017
 - Additional funding announced in July 2019
 - Fund 60% of project up to max of \$3 million
 - Highly competitive

Drinking Water State Revolving Loan Fund

- Subsidized loan program

KWD filed joint applications 9/15/19 for \$7 million for Phase 1 & 2

Funding Sources cont.

- Grants
 - 25% of project **could** be eligible
- Market Rate Municipal Bond
 - 3.5% - 3%
 - Cost will depend on:
 - Amount borrowed
 - Interest rate
 - Term

Worst Case Scenario bond for \$12 million @ 3.5% for 20 years

- Cost = \$807,000 per year
- Based on current water sales of \$4.5 million
 - Each \$45,000 increase in spending = 1% rate increase
 - \$807,000 increase = 19% rate increase
- Considerations:
 - Actual project cost and amount financed
 - Interest Rate
 - Term
 - Percentage increase applied equally to all rate classes

KWD Tiered Rate Schedule

Rate Step	2019 Rate	% Customers by step
Base (0-4 units)	\$ 46.80	15.2%
5 to 20	\$ 3.31	56.2%
21 to 40	\$ 3.01	19.5%
41 to 100	\$ 2.71	6.3%
101 to 1000	\$ 2.11	2.3%
> 1000	\$ 1.82	0.2%

- All pay base charge
- 91% of all users pay in 1st 2 steps
- Board is actively looking at reducing number of tiers

Impact

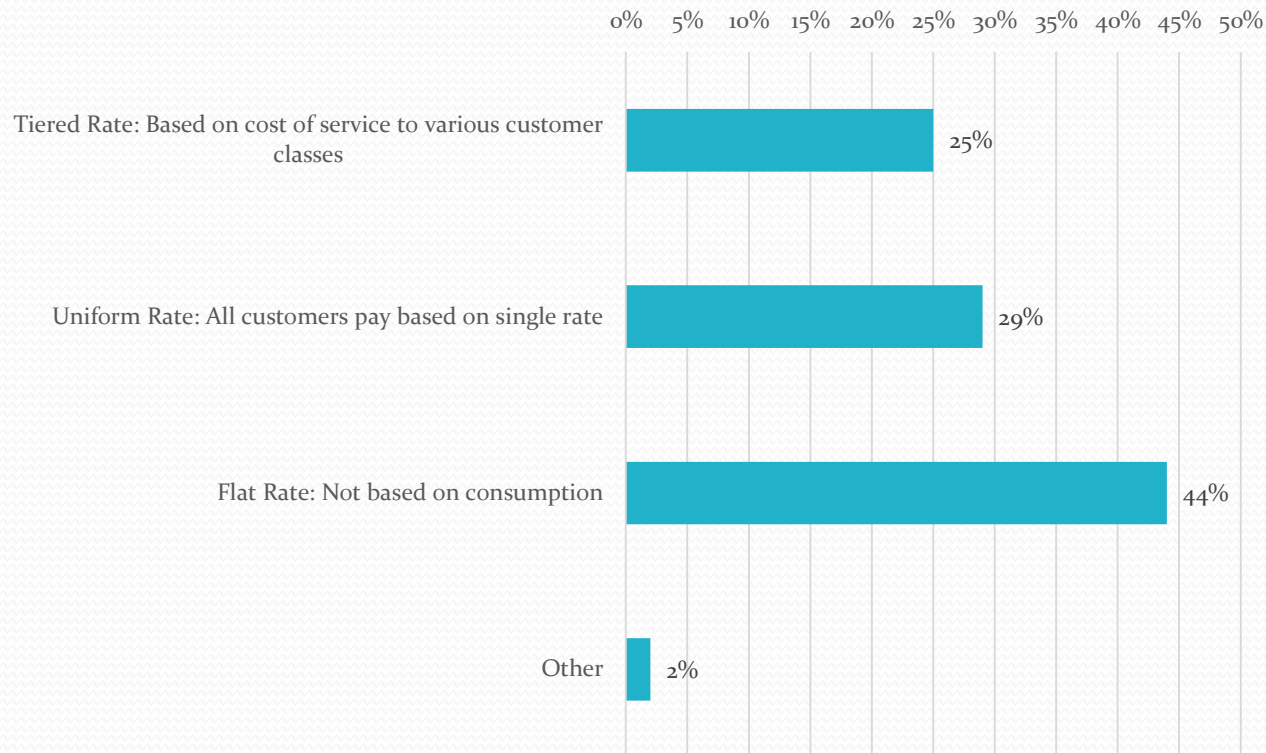
Worst Case 20% Increase Across All Rate Steps

- Average family using 20 units/ quarter
 - Currently pays \$399.04 per year for drinking water
 - With 20% increase, \$478.85 per year for drinking water
 - Increase of \$79.81 per year
- Minimum bill payers (0-4 units per quarter)
 - Currently pays \$187.20 per year for drinking water
 - With 20% increase, \$224.64 per year for drinking water
 - Increase of \$37.42 per year

Rates: One Size Does Not Fit All

- There is no single “correct” rate; utility specific

US Water Utility Rate Structures

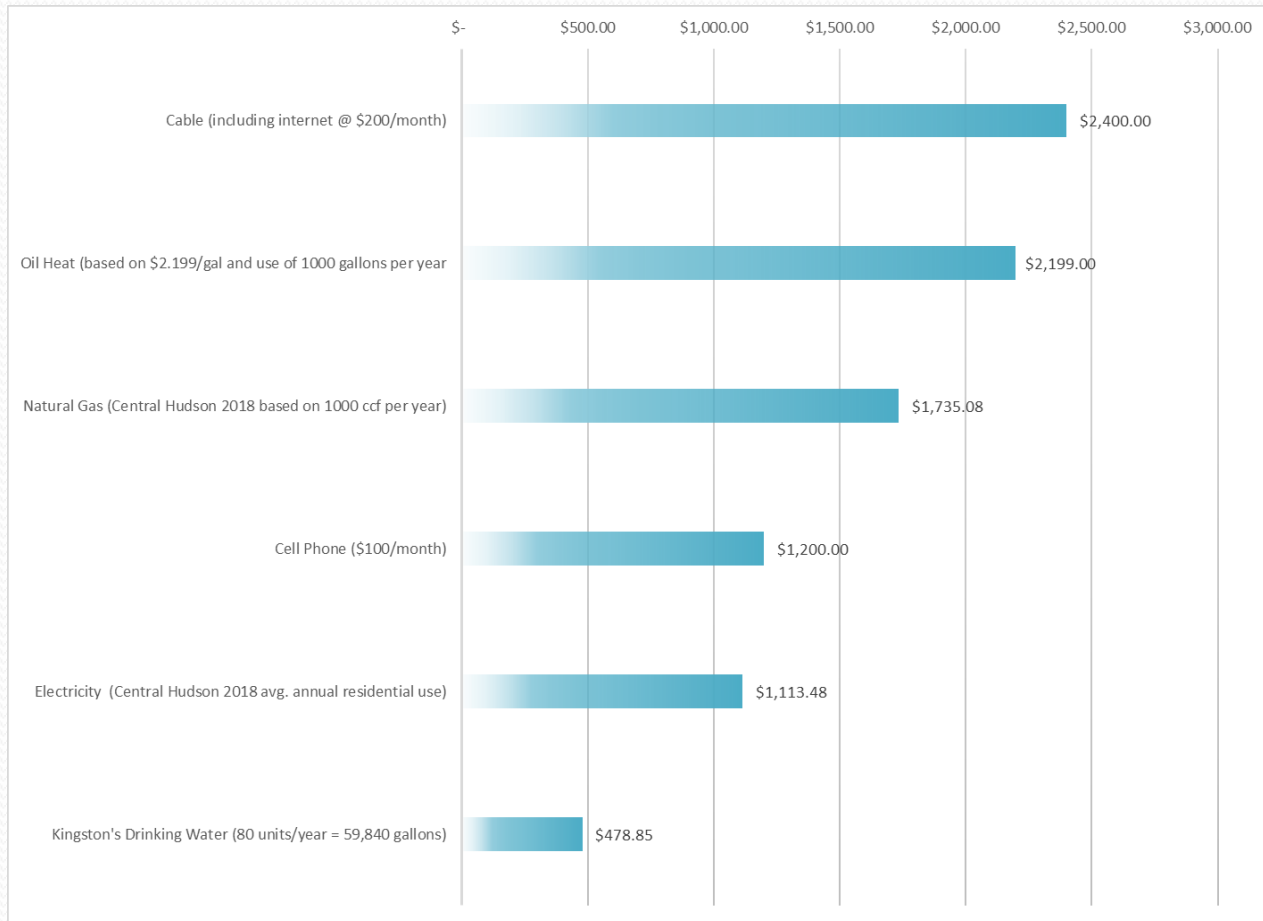


Summary

- Hoping for a mix of funding to mitigate impact on rates
- Hoping to bring this project in at 12 million
- Board may elect not to increase all rate steps uniformly or may alter rate schedule
- Board continuously looks to limit expenses
- Interest rate
- Term

Food For Thought.....

Putting It All In Perspective





Questions???

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