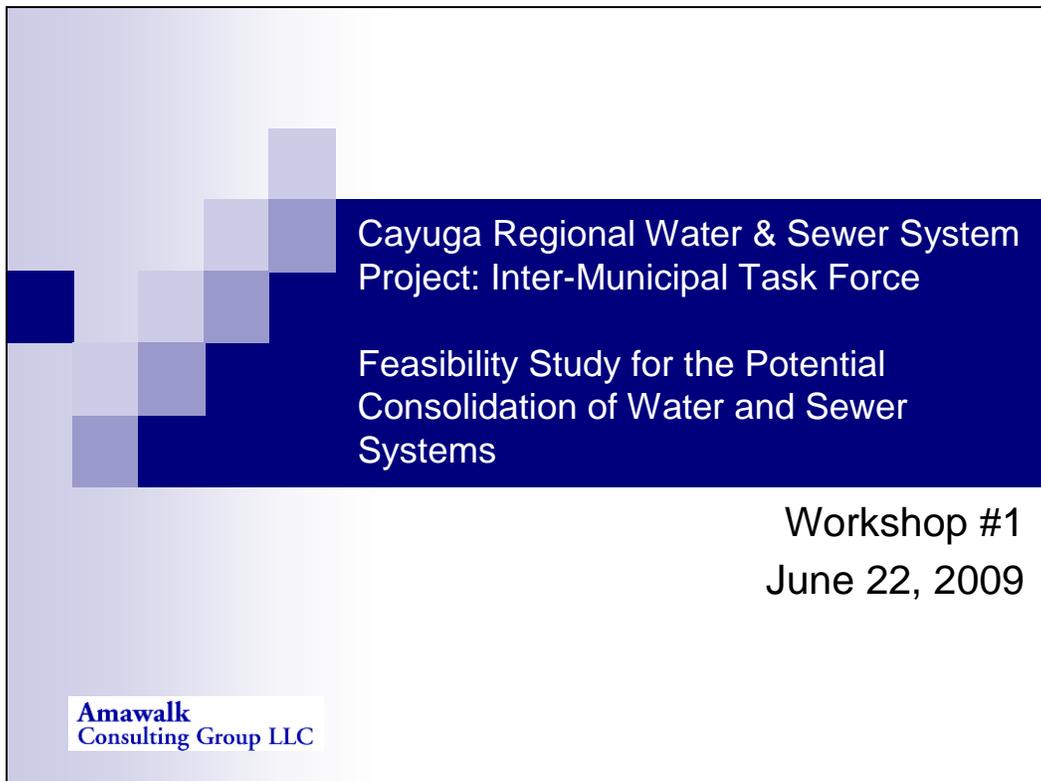


## 8. Appendix

### 8.1. Appendix A

Previously presented workshop PowerPoint slides are provided below.

#### Workshop #1



## Governance Workshop Outline

- Objectives of the workshop
- Ground rules
- Authorities and Boards, water and wastewater
- Examples of New York State Water Authorities and Boards
- Example: Mohawk Valley Board and Authority
- Example: Monroe County Water Authority
- Example: CCWSA
- Governance options for water and sewer in Cayuga County
  - Ownership
  - Operation and Maintenance
- Questions and concerns to think about
- Discussion of the options
- Next steps

## Objectives of the Workshop

- Review examples of governance structures for water and sewer systems in NY State
- Identify and discuss the governance options for Cayuga County
- Review the factors that should be considered in weighing the options
- Develop a short list of options that could be considered ... if the Committee is ready to make some choices. If not, that's OK.
  
- Financial, technical and other issues will be considered in later workshops.

## Ground Rules

- This is workshop #1 of an expected 4 workshops. If any ideas are developed or conclusions are reached at this workshop, everyone has the right to reconsider those ideas or conclusions after participating in the other workshops.
- We encourage everyone to participate; all ideas, comments and questions are welcome.
- There will be different ideas expressed, we don't expect everyone to agree on everything – that's OK.
- We will take notes throughout the Workshop and will provide copies afterwards to all participants.

## Authorities & Boards, Water & Wastewater

- Creating a new water authority with the power to acquire, own, operate and finance facilities requires a public referendum.
- A referendum is not required if the powers are separated: typically the authority is a financing agency and the water board manages the facilities, sets the rates and raises revenue.
- We refer to “water” authorities and boards but everything we talk about refers to both water and wastewater, not just water.

## Examples of New York State Water Authorities and Boards

- New York City Water Board & Municipal Water Finance Authority
- Buffalo Water Board & Municipal Water Finance Authority
- Niagara Falls Water Board & Public Water Authority
- Development Authority of the North Country (Watertown)
- Erie County Water Authority
- Monroe County Water Authority
- Onondaga County Water Authority
- Albany Water Board and Municipal Water Finance Authority
- Dutchess County Water and Wastewater Authority
- Water Authority of Western Nassau County
- Saratoga County Water Authority
- Mohawk Valley Water Authority

## Example of a Water Authority & Board

Upper Mohawk Valley Regional Water Board (dba Mohawk Valley Water Authority)	Upper Mohawk Valley Regional Water Finance Authority
--	--

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>■ Owner</li><li>■ Operator</li><li>■ Hires employees and contractors</li><li>■ Makes payments in lieu of taxes to County, City, towns and school districts</li><li>■ Plans and implements capital improvements</li><li>■ Has regulatory &amp; legal responsibility</li><li>■ Sets the annual budget and water rates</li><li>■ Has rate-setting capability, no taxing power</li><li>■ Raises revenue to pay costs including debt service on bonds of the Authority</li><li>■ Asks the Authority to issue debt</li></ul> | <ul style="list-style-type: none"><li>■ Issues debt as requested by the Board</li><li>■ Pays principal and interest on its debt through funds provided by the Board</li><li>■ Has the responsibility to make sure the Board meets its obligations</li><li>■ Has no staff</li></ul> |
|--|--|

## Upper Mohawk Valley Regional Water Board

### Membership

- 2 members by Utica City Council
- 2 members by Utica Mayor
- 2 members by Oneida County Executive
  - 1 resident of a village outside City
  - 1 resident outside City, subject to approval by Herkimer County Legislature
- 2 members by Oneida County Legislature – must be residents of the City
- 1 member by Town Board of New Hartford
- 1 member by Town Board of Whitestown
- 1 member by Marcy, Schuyler & Kirkland (rotates)
- 1 member by Trenton, Deerfield & Frankfort (rotates)

## Upper Mohawk Valley Regional Water Finance Authority

### Membership

- 1 member by Utica City Council
- 1 member by Utica Mayor
- 1 member by Oneida County Executive
  - Alternate residency within & outside of City
- 1 member by Town Boards of New Hartford and Whitestown (rotates)
- 1 member by majority vote of Towns of Deerfield, Frankfort, Kirkland, Marcy, Trenton and Schuyler

# Monroe County Water Authority

## Membership & Structure

- Governed by a seven member Board of Directors that are appointed by the President of the Monroe County legislature, subject to confirmation by the Monroe County legislature. Board members serve for a five year term.
- County has the ability and the option to issue debt for capital projects in lieu of the Authority.
- Authority provides both retail and wholesale service to areas both inside and outside of Monroe County. As a wholesaler, the Authority treats and delivers water to local systems that maintain their own distribution systems and retail customers.

# Cayuga County Water & Sewer Authority

## Membership

- Nine member Board appointed by the County Legislature
- Power to acquire, own and operate water and wastewater systems
- Authorized to borrow money with a \$75 million cap (can be amended in the future)
- County has the ability to provide capital and/or operating funds to the Authority
- Other characteristics?

## Governance Options for Water and Sewer in Cayuga County

All options except the existing structure and the CCWSA “as is” may require State legislation

- No change to the existing governance structure
- City could create a Water Board and Authority; the Board would seek to develop new service agreements with the communities and the CCWSA; outside-of-City systems remain under local control
- City and the surrounding communities could create a Water Board and Authority; systems outside of the Board service area would remain under local control

## Governance Options for Water and Sewer in Cayuga County - Continued

All options except the existing structure and the CCWSA “as is” may require State legislation

- A Water Board and Authority could be created on a County-wide basis or a somewhat less than County-wide basis; the CCWSA may or may not be acquired by the new entity
- The CCWSA could assume the management of the water and sewer systems of the City and part or all of the Towns
- An amended version of the CCWSA could assume management of the water and sewer systems of the City and part or all of the Towns
- Are there other options (e.g., County water or sewer districts) that should be considered?

## Governance Options for Water and Sewer in Cayuga County - Continued

### Ownership

- A regional agency could acquire and own all of the water and sewer assets.
- A regional agency could acquire and own portions of the water and sewer assets while local ownership could be maintained for certain assets. For example, a regional agency could own water supply, treatment and transmission facilities while distribution systems could be locally owned.
- A regional agency could lease water and sewer assets instead of purchasing the assets.

## Governance Options for Water and Sewer in Cayuga County - Continued

### Operations and Maintenance

- A regional agency could operate and maintain all of the water and sewer assets.
- A regional agency could operate and maintain portions of the water and sewer assets while local communities could operate and maintain certain assets. For example, a regional agency could operate and maintain water supply, treatment and transmission facilities while distribution systems could be locally operated and maintained.

## Questions and Concerns to Think About

### Issues of Importance to a Regional Approach

- Capital improvements will be needed for the City's water supply, water transmission, interceptor sewers and wastewater treatment facilities.
- There are substantial differences in water rates and sewer rates among some water and sewer districts. How would a regional system address these differences so that people with the lowest rates do not pay substantially more?
- Some communities have just a few people that spend part of their time handling operation and maintenances for water and sewer. How could a regional approach be any more efficient? Could these people still provide services to a town if regionalization occurs?

## Questions and Concerns to Think About

### Issues of Importance to a Regional Approach

- How do we make sure that existing employees are not harmed through a regional approach?
- How do we make sure that regionalization is not just a method of shifting the City's infrastructure upgrade costs to the towns?
- Would the level of local service be affected through regionalization?
- Some towns use tax payments or assessments to pay a portion of water and sewer costs. Does a regional approach allow that practice to continue?
- Other questions and concerns we should think about?

## Discussion of the Options

- Review of each of the options.
- Are there any options that should be eliminated right away?
- What questions have to be resolved before decisions can be made?

## Next Steps

- What happens between today and the next workshop?
- Next Workshops:
  - Monday July 20<sup>th</sup>, 2009 at 4:00pm at Cayuga County Soil & Water
  - Monday August 31<sup>st</sup>, 2009 at 4:00pm at Cayuga County Soil & Water
  - Monday September 28<sup>th</sup>, 2009 at 4:00pm at Cayuga County Soil & Water

### Workshop #2

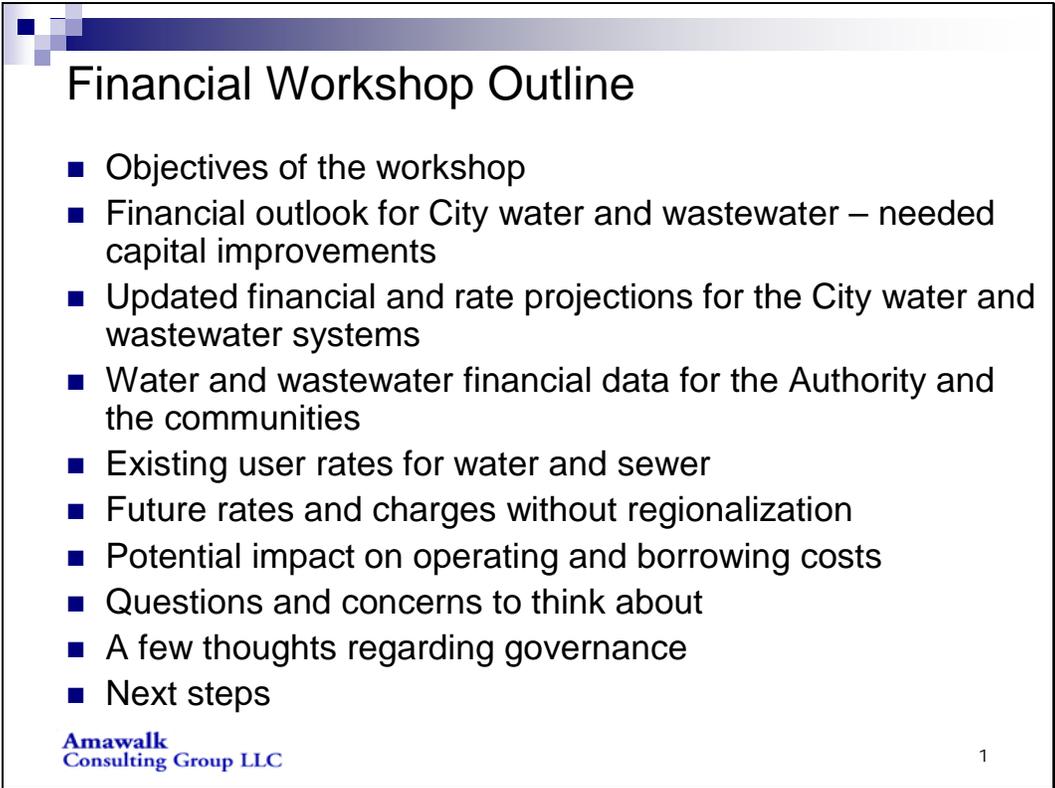


## Cayuga Regional Water & Sewer System Project: Inter-Municipal Task Force

### Feasibility Study for the Potential Consolidation of Water and Sewer Systems

Workshop #2  
July 20, 2009

**Amawalk**  
Consulting Group LLC



## Financial Workshop Outline

- Objectives of the workshop
- Financial outlook for City water and wastewater – needed capital improvements
- Updated financial and rate projections for the City water and wastewater systems
- Water and wastewater financial data for the Authority and the communities
- Existing user rates for water and sewer
- Future rates and charges without regionalization
- Potential impact on operating and borrowing costs
- Questions and concerns to think about
- A few thoughts regarding governance
- Next steps

**Amawalk**  
Consulting Group LLC

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## Objectives of the Workshop

- Review financial data for the City's water and wastewater systems
- Review financial data for the Authority and community water and wastewater systems
- Identify financial factors that should be considered regarding regionalization
  
- Technical and other issues will be considered in later workshops

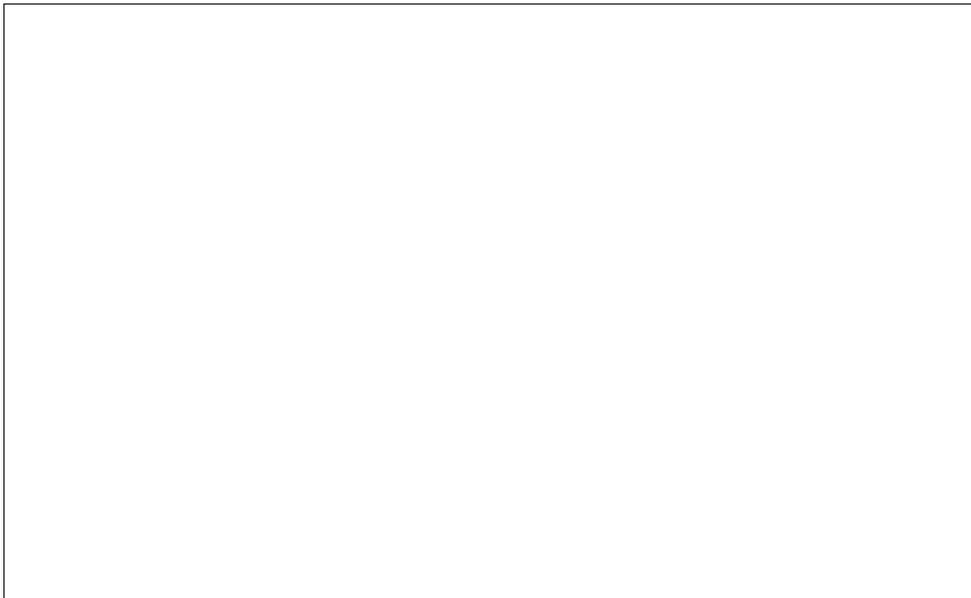
## Current Situation – A Significant Need to Reinvest in the Infrastructure

- Annual cost of operation, maintenance and the principal & interest on debt of the water & wastewater system is about \$11 million
- Original cost of the system – much greater than \$50 million
- Replacement cost of the system – preliminary estimate of over \$400 million
- Budgeted annual capital investments are typically less than \$200,000

## Key Capital Improvement Issues Affecting the City and the Communities

- Raw water intake and transmission
- Incinerator and previous proposal to build a digester
- Routine upgrading at the wastewater treatment plant
- THMs (disinfection by-products) in drinking water
- Replacement of water mains and sewers

## Financial Outlook – Needed CIP for Water



## Financial Outlook – Needed CIP for Wastewater

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## Updated Financial and Rate Projections for the City Water System – Preliminary Draft

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Water Customer Payments</b>								
Metered Water Sales - Public	2,293,600	2,375,000	2,335,000	2,572,877	2,799,185	3,061,938	3,321,553	3,566,965
Metered Water Sales - Other Commu	858,178	820,000	890,000	980,669	1,066,927	1,167,077	1,266,031	1,359,571
<b>Total Water Customer Payments</b>	<b>3,151,779</b>	<b>3,195,000</b>	<b>3,225,000</b>	<b>3,553,546</b>	<b>3,866,112</b>	<b>4,229,015</b>	<b>4,587,584</b>	<b>4,926,536</b>
<b>Other Water Revenue</b>	<b>196,971</b>	<b>183,000</b>	<b>157,000</b>	<b>151,774</b>	<b>150,555</b>	<b>149,824</b>	<b>149,441</b>	<b>148,597</b>
<b>Total Water Revenue</b>	<b>3,348,750</b>	<b>3,378,000</b>	<b>3,382,000</b>	<b>3,705,320</b>	<b>4,016,666</b>	<b>4,378,838</b>	<b>4,737,024</b>	<b>5,075,132</b>
<b>Expenses - Personal Services</b>								
Unallocated Salaries	7,814	5,000	9,000	9,270	9,548	9,835	10,130	10,433
Utility Billing	56,936	70,696	53,594	55,738	57,968	60,286	62,698	65,206
Water Filtration	361,757	391,218	444,138	466,345	489,663	514,146	539,853	566,846
Transmission & Distribution	339,261	341,301	388,206	407,616	427,997	449,397	471,867	495,460
<b>Total Expenses - Personal Services</b>	<b>765,768</b>	<b>808,215</b>	<b>894,939</b>	<b>938,970</b>	<b>985,175</b>	<b>1,033,664</b>	<b>1,084,547</b>	<b>1,137,945</b>
<b>Expenses - Supplies/Contractual Services</b>								
Unallocated Insurance	43,788	40,000	40,000	41,600	42,848	44,133	45,457	46,821
Judgements & Settlements	1,000	10,000	10,000	10,300	10,609	10,927	11,255	11,593
Taxes on City Owned Property	38,462	41,000	5,000	5,150	5,305	5,464	5,628	5,796
Contingency	-	50,000	55,000	56,650	58,350	60,100	61,903	63,760
Utility Billing	45,157	56,070	42,507	44,207	45,975	47,814	49,727	51,716
Source of Supply (Pumping Station)	286,192	354,690	314,800	330,540	347,067	364,420	382,641	401,773
Water Filtration	576,140	623,060	564,308	592,523	622,150	653,257	685,920	720,216
Transmission & Distribution	284,872	286,585	232,824	244,465	256,688	269,523	282,999	297,149
Unemployment Insurance	-	1,000	1,000	1,040	1,071	1,103	1,136	1,171
Transfers to Other Funds	660,000	683,000	800,000	824,000	848,720	874,182	900,407	927,419
Debt Service	307,419	314,770	300,655	441,739	611,375	826,110	1,029,547	1,205,833
Bond Anticipation Notes	-	7,500	6,200	6,200	6,200	6,200	6,200	6,200
<b>Total Expenses - Supplies/Contractu</b>	<b>2,243,029</b>	<b>2,467,675</b>	<b>2,372,293</b>	<b>2,598,414</b>	<b>2,856,357</b>	<b>3,163,233</b>	<b>3,462,820</b>	<b>3,739,447</b>
<b>Expenses - Equipment</b>	<b>82,020</b>	<b>87,500</b>	<b>74,550</b>	<b>78,277</b>	<b>82,191</b>	<b>86,301</b>	<b>90,616</b>	<b>95,147</b>
<b>Total Operating Expenses</b>	<b>3,150,001</b>	<b>3,423,806</b>	<b>3,382,000</b>	<b>3,657,890</b>	<b>3,968,064</b>	<b>4,329,755</b>	<b>4,686,868</b>	<b>5,023,868</b>
<b>Cash Capital Program</b>	<b>44,200</b>							
<b>Net Surplus</b>	<b>154,549</b>	<b>(90,006)</b>	<b>(44,200)</b>	<b>3,230</b>	<b>4,402</b>	<b>4,883</b>	<b>5,956</b>	<b>7,065</b>
<b>Rate Increase</b>	<b>0.0%</b>	<b>4.2%</b>	<b>0.0%</b>	<b>9.9%</b>	<b>8.5%</b>	<b>9.1%</b>	<b>8.2%</b>	<b>7.1%</b>

## Updated Financial and Rate Projections for the City Wastewater System – Preliminary Draft

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Sewer Customer Payments</b>								
Sewer Rents - Public	5,506,001	5,520,000	5,450,000	5,760,162	6,096,871	6,490,676	6,796,028	7,154,443
Sewer Rents - Other Government	461,284	420,000	500,000	528,455	559,346	595,475	623,489	656,371
Sewer Rents - Outside City	446,438	450,000	430,000	454,472	481,038	512,108	536,200	564,479
<b>Total Sewer Customer Payments</b>	<b>6,413,723</b>	<b>6,390,000</b>	<b>6,380,000</b>	<b>6,743,089</b>	<b>7,137,254</b>	<b>7,598,260</b>	<b>7,955,717</b>	<b>8,375,292</b>
<b>Total Other Sewer Revenue</b>	<b>1,443,689</b>	<b>1,418,000</b>	<b>1,424,000</b>	<b>1,434,515</b>	<b>1,435,313</b>	<b>1,436,737</b>	<b>1,438,174</b>	<b>1,439,642</b>
<b>Total Sewer Revenue</b>	<b>7,857,422</b>	<b>7,808,000</b>	<b>7,804,000</b>	<b>8,177,603</b>	<b>8,572,568</b>	<b>9,034,997</b>	<b>9,393,892</b>	<b>9,814,934</b>
<b>Expenses - Treatment Plant</b>	<b>5,709,845</b>	<b>6,242,782</b>	<b>6,211,945</b>	<b>6,459,000</b>	<b>6,793,156</b>	<b>7,192,758</b>	<b>7,484,213</b>	<b>7,837,474</b>
<b>Expenses - Others</b>								
Unallocated Insurance	39,350	33,300	33,300	34,632	35,671	36,741	37,843	38,979
Unallocated Salaries	5,918	6,000	7,000	7,210	7,426	7,649	7,879	8,115
Judgements & Settlements	-	15,000	15,000	15,450	15,914	16,391	16,883	17,389
Taxes on City Owned Property	155	370	370	381	393	404	416	429
Contingency	-	100,000	102,000	105,060	108,212	111,458	114,802	118,246
Sanitary Sewer	661,591	738,258	653,272	685,936	720,232	756,244	794,056	833,759
Unemployment Insurance	-	1,000	1,000	1,040	1,071	1,103	1,136	1,171
Transfers to Other Funds	829,794	859,360	856,900	882,607	909,085	936,358	964,448	993,382
Transfers to Other Funds	45,000	50,000	55,000	56,650	58,350	60,100	61,903	63,760
Bond Anticipation Notes	5,603	11,825	5,400	5,400	5,400	5,400	5,400	5,400
<b>Subtotal</b>	<b>1,448,476</b>	<b>1,660,079</b>	<b>1,592,055</b>	<b>1,650,319</b>	<b>1,710,505</b>	<b>1,773,037</b>	<b>1,838,015</b>	<b>1,905,540</b>
<b>Total Operating Expenses</b>	<b>7,158,321</b>	<b>7,902,861</b>	<b>7,804,000</b>	<b>8,109,319</b>	<b>8,503,661</b>	<b>8,965,795</b>	<b>9,322,228</b>	<b>9,743,014</b>
<b>Debt Service Detail (Already Included in Operating Expenses)</b>								
Outstanding Bonds	2,735,589	2,733,922	2,738,532	2,740,476	2,757,644	2,772,410	2,768,384	2,778,594
Anticipated Future Bonds	-	-	11,618	106,343	247,789	448,458	550,721	691,054
<b>Total Debt Service</b>	<b>2,735,589</b>	<b>2,733,922</b>	<b>2,750,150</b>	<b>2,846,819</b>	<b>3,005,434</b>	<b>3,220,868</b>	<b>3,319,105</b>	<b>3,469,648</b>
<b>Cash Capital Total</b>	<b>60,000</b>							
<b>Net Surplus</b>	<b>639,101</b>	<b>(154,861)</b>	<b>(60,000)</b>	<b>8,285</b>	<b>8,907</b>	<b>9,202</b>	<b>11,663</b>	<b>11,920</b>
<b>Rate Increase</b>	<b>0.0%</b>	<b>1.9%</b>	<b>0.0%</b>	<b>5.4%</b>	<b>5.5%</b>	<b>6.1%</b>	<b>4.4%</b>	<b>5.0%</b>

## Water and Sewer Financial Data for the Authority and the Communities – Prelim. Draft

	<u>Annual Revenue (\$)</u>	<u>Taxes as a % of Revenue</u>	<u>Debt Service as a % of Expenditures</u>
CCWSA	900K	11%	47%
Fleming	700K	60%	26%
Throop	200K	64%	16%
Sennett	1,000K	57%	24%
Owasco	1,500K	63%	39%
Aurelius	500K	43%	18%
Auburn	11,200K	0%	27%

## Existing User Rates for Water and Sewer Vary Throughout the County - Examples

Community	Current Rate
Town of Owasco Water	\$22.50 for up to 1000 Cu Ft; \$2.25/100 Cu Ft for up to 10,000 Cu Ft; thereafter \$1.69/100 Cu Ft
Town of Owasco Water - Town of Niles	\$31.30 for up to 1000 Cu Ft; \$3.13/100 Cu Ft for up to 10,000 Cu Ft; thereafter \$2.35/100 Cu Ft
Town of Owasco Water - Town of Fleming	\$2.20 per 1,000 gallons
Town of Owasco Sewer 1	\$20.50 for up to 1000 Cu Ft; thereafter \$2.05/100 Cu Ft
Town of Owasco Sewer 2	\$15.50 for up to 1000 Cu Ft; thereafter \$1.55/100 Cu Ft
Town of Aurelius Water District 1&2	\$32.90 for up to 1335 Cu Ft; thereafter \$3.29/136 Cu Ft
Town of Aurelius Water District 3	\$106.20 for up to 1335 Cu Ft; thereafter \$10.62/134 Cu Ft
Town of Aurelius Sewer District 1&2	\$66.90 for up to 1335 Cu Ft; thereafter \$6.69/134 Cu Ft

## Future Rates and Charges of the City Without Regionalization

- Average City water rate increases of 8.5% per year for the next five years
- Average City wastewater rate increases of 5.3% per year for the next five years
- The above increases assume that the customer base stays relatively stable; a decline in customer usage will require greater increases in rates
- The above increases assume that \$10.1 million will have to be borrowed for water improvements and \$6.7 million will have to be borrowed for wastewater improvements; financing is assumed over 30 years at a rate of 6.75%

## Future Rates and Charges of the Communities Without Regionalization

- Water and sewer rates will increase due to rate increases of the City as well as inflationary increases in local expenses
- The Authority and the communities will have to borrow \$\_\_\_ million for water improvements and \$\_\_\_ million for wastewater improvements. Water and sewer rates will increase due to future borrowing by the Authority and the communities

## Areas That We Evaluate for Potential Savings Through Regionalization

- Operations labor
- Maintenance labor
- Outsourced labor
- Power and fuel
- Chemicals
- Laboratory testing
- Spare parts and supplies inventory
- Vehicles and equipment
- Management and administrative
- Billing and collection

# Importance of Bond Ratings in Borrowing Funds for Capital Improvements

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch</u>
<b>Best Quality</b>	Aaa	AAA	AAA
<b>High Quality</b>	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
<b>Upper Medium Grade</b>	A1	A+	A+
	A2	A	A
	A3	A-	A-
<b>Medium Grade</b>	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-

The City of Auburn is currently rated Baa1  
Cayuga County is rated A3

Bond insurance options are far more limited today than in the past  
A half-point difference in interest rates for the City's borrowing over the next 5 years equals roughly \$1.9 million over the life of the bonds.

# Questions and Concerns to Think About

## Issues of Importance to a Regional Approach

- Capital improvements will be needed for the City's water supply, water transmission, interceptor sewers and wastewater treatment facilities. Capital improvements will be needed for the Authority and community systems.
- If appropriately structured and managed, an authority offers the opportunity for a better credit rating relative to the current rating of the City. The potential improvement will not be immediate, but rather long-term.
- The City, the Town of Owasco and the Authority (through the County) have existing NYSEFC loans. Would NYSEFC consider refinancing these loans under regionalization?

## Questions and Concerns to Think About

### Issues of Importance to a Regional Approach

- Over the long-term, will a regional system have greater opportunities for NYSEFC financing at below-market interest rates?
- Some communities have just a few people that spend part of their time handling operation and maintenances for water and sewer. How could a regional approach be any more efficient? There would be some management and administrative savings but overall we suggest that that no significant operation and maintenance savings be assumed.
- Could these people still provide services to a town if regionalization occurs? Yes.

## Questions and Concerns to Think About

### Issues of Importance to a Regional Approach

- There are substantial differences in water rates and sewer rates among some water and sewer districts. How would a regional system address these differences so that people with the lowest rates do not pay substantially more?
- All of the towns and the Authority use tax payments or assessments to pay a portion of water and sewer costs. Does a regional approach allow that practice to continue?

## Questions and Concerns to Think About

### Issues of Importance to a Regional Approach

- How do we make sure that regionalization is not just a method of shifting the City's infrastructure upgrade costs to the towns? A cost-sharing structure could be built-in to a regional approach so that everyone knows upfront how costs will be assigned.
- Other questions and concerns we should think about?

## Are There Enough Financial Benefits?

- Opportunity for higher credit rating and lower borrowing costs
- Potential opportunity to refinance existing NYSEFC loans – we suggest that NYSEFC be asked whether and how they may participate
- Potentially greater clout in requesting NYSEFC loans
- Regional decision-making concerning capital improvements
- Some operating savings, but we assume they are not substantial

## A Few Thoughts Regarding Governance

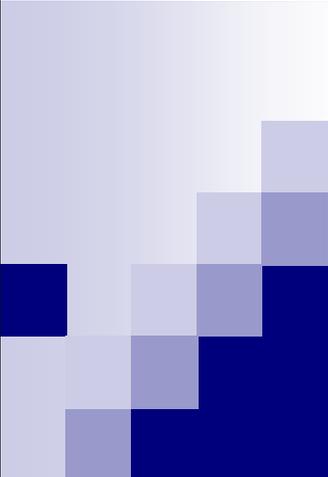
### An Example: DC Water and Sewer Authority

- Provides retail water service, wastewater service and stormwater service within the District of Columbia. Provides wastewater interceptors and wastewater treatment for outside counties. Operates & maintains the system. Prepares and implements the capital improvement program. Bills and collects from all retail customers.
- An eleven member Board of Directors: six appointed by the District of Columbia, two members are appointed by each of two counties and one county has one member.
- A memorandum of understanding sets forth the methodology for the sharing of costs. Wholesale customers set their own rates and raise capital \$ as they see fit.

## Next Steps

- What happens between today and the next workshop?
- Next Workshops:
  - Monday August 31<sup>st</sup>, 2009 at 4:00pm at Cayuga County Soil & Water
  - Monday September 28<sup>th</sup>, 2009 at 4:00pm at Cayuga County Soil & Water
- Thank you!

## Workshop #3



Cayuga Regional Water & Sewer System  
Project: Inter-Municipal Task Force

Feasibility Study for the Potential  
Consolidation of Water and Sewer  
Systems

Workshop #3  
August 3, 2009

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Consulting Group LLC



### Workshop #3 Outline

- Introduction
- Review of the Phase 1 Scope and Potential Outcomes (the Current Phase)
- Review of the Potential Phase 2 Scope and Potential Outcomes (the Implementation Phase)
- Workshop #3 Content:
  - List of regional options available to the communities
  - One alternative for the structure of what a regional enterprise could offer
  - Options for the governance of a regional enterprise
  - Options for acquiring or not acquiring existing assets and debt
  - Options for setting future rates and charges
  - Are there enough benefits to support regionalization?
  - Other things that we should think about?

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1

## Workshop #3 Outline (Continued)

- Potential next steps – potential schedule and milestones for the remainder of Phase 1 and Phase 2
- What is needed to apply for Phase 2 funding and what are the due dates?
- Next Workshop- Monday August 31st, 2009 at 4:00pm

## Introduction

- What we hope to accomplish this evening
- The State deadline for future assistance is pushing our schedule
- A number of ideas and options are presented to help the discussion – the choices are up to the communities
- The results of the technical review will be covered in a later workshop
- Please share ideas, suggestions, questions, concerns

## Phase 1 Scope (the Current Phase)

- Feasibility study to investigate at a high level the potential economic and organizational/ governing structure benefits associated with consolidating municipal water and sewer services within Cayuga County. The Feasibility Study will assist local decision-makers in determining if consolidation makes sense. It will identify the regionalization alternatives and will provide the communities with information that will help local leaders decide if they wish to stay with the current structure or to move forward towards some form of regionalized approach.

## Phase 1 Potential Outcomes (the Current Phase)

- Decision to continue or not continue towards regionalization
- If the consensus is to continue:
  - Outline the potential structure of a regional agency: services that it would provide
  - Make preliminary policy decisions regarding representation, existing water and sewer debt, ownership or lease of assets, rate methodology, etc.
  - Create an implementation plan and schedule to be followed in Phase 2

## Potential Phase 2 Scope (the Implementation Phase)

- Designation of someone to lead the implementation phase
- Final policy decisions:
  - Composition and appointments to a Board and Authority
  - Services to be provided by the Board and Authority
  - Assets to be owned or leased
  - Existing debt to be acquired or left “as is”
  - How the cost of service will be determined and rates will be set
  - Other features
- Incorporate policy decisions into draft agreements and proposed State legislation

## Potential Phase 2 Scope & Outcomes (the Implementation Phase)

- Another decision point: to continue or not continue
- Request introduction and approval of State legislation (2010)
- After approval of legislation, final approval by the communities
- Appointment of the Board and Authority members
- Transition from current structure to the selected structure

## List of Regional Options Available to the Communities

All options except the existing structure and the CCWSA “as is” may require State legislation

- No change to the existing governance structure **X**
- City could create a Water Board and Authority; the Board would seek to develop new service agreements with the communities and the CCWSA; outside-of-City systems remain under local control
- City and the surrounding communities could create a Water Board and Authority; systems outside of the Board service area would remain under local control

## List of Regional Options Available to the Communities

All options except the existing structure and the CCWSA “as is” may require State legislation

- A Water Board and Authority could be created on a County-wide basis or a somewhat less than County-wide basis; the CCWSA may or may not be acquired by the new entity
- The CCWSA could assume the management of the water and sewer systems of the City and part or all of the Towns **X**
- An amended version of the CCWSA could assume management of the water and sewer systems of the City and part or all of the Towns **X**
- Are there other options that should be considered?

## Example of a Water Authority & Board

Upper Mohawk Valley Regional Water Board (dba Mohawk Valley Water Authority)

Upper Mohawk Valley Regional Water Finance Authority

- Owner
- Operator
- Hires employees and contractors
- Makes payments in lieu of taxes to County, City, towns and school districts
- Plans and implements capital improvements
- Has regulatory & legal responsibility
- Sets the annual budget and water rates
- Has rate-setting capability, no taxing power
- Raises revenue to pay costs including debt service on bonds of the Authority
- Asks the Authority to issue debt
- Issues debt as requested by the Board
- Pays principal and interest on its debt through funds provided by the Board
- Has the responsibility to make sure the Board meets its obligations
- Has no staff

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10

## Upper Mohawk Valley Regional Water Board - Membership

- 2 members by Utica City Council (50% of meters in Utica)
- 2 members by Utica Mayor
- 2 members by Oneida County Executive
  - 1 resident of a village outside City
  - 1 resident outside City, subject to approval by Herkimer County Legislature
- 2 members by Oneida County Legislature – must be residents of the City
- 1 member by Town Board of New Hartford (14%)
- 1 member by Town Board of Whitestown (7%)
- 1 member by Marcy, Schuyler & Kirkland (rotates) (5%)
- 1 member by Trenton, Deerfield & Frankfort (rotates) (7%)

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11

## One Alternative Structure for a Regional Enterprise – For Discussion Purposes



## One Alternative Structure for a Regional Enterprise – For Discussion (Continued)

### Communities Could Decide on Retail or Wholesale

- Retail members – the regional agency provides all services and bills all customers. Communities could continue to bill supplemental amounts?
- Wholesale members – regional agency provides water and treats wastewater but local pipes, customer relationships & rates/billing are a local responsibility?
- Wholesale members could decide to become retail members in the future?

## One Alternative Structure for a Regional Enterprise – For Discussion (Continued)

### Communities Could Decide on Retail or Wholesale

- The regional agency could be given the ability to provide financing for regional and, if desired, local projects – there would have to be a means for paying the principal and interest on the financing
- The regional agency could be given the ability to provide local services on a contract basis, at the option of the communities
- The enforcement of user charges by the regional agency could be done jointly with the communities or the County

## Governance

### Options for the Governance of a Regional Enterprise

- Number of Members
- Representation:
  - Retail customers & wholesale customers
  - Based on: population served, assessed value of served areas, volume of usage, representation for all, a negotiated basis
  - Permanent versus rotating positions
- Who makes the appointments?

## Financial

### Options for Acquiring/Not Acquiring Existing Assets & Debt

- Existing debt can stay with the communities and districts: it can be paid for through local charges or paid by regional agency rates and revenues
- Existing debt can be refinanced under the regional agency and become regional authority debt
- The option exists to allow flexibility so that the assumption of outstanding debt by the regional agency is at the option of the communities

## Financial

### Options for Setting Future Rates and Charges

- Everyone pays their fair share - at the option of the participants, the structure for determining the cost of service, usage of the systems and rates could be outlined in the proposed state legislation and set forth in greater detail in the agreements
- Cost of service policy issue – does the City continue to provide support services and how are such services compensated?
- Cost of service policy issue – does the City receive some consideration for acting as the host for treatment facilities?

## Are There Enough Benefits to Support Regionalization?

- Opportunity for a higher credit rating and lower borrowing costs over the long-term compared to using the City's credit rating – retail and wholesale
- Potential opportunity to refinance existing NYSEFC loans – we suggest that NYSEFC be asked whether and how they may participate
- Potentially greater clout in requesting low interest NYSEFC loans for future capital improvements

## Are There Enough Benefits to Support Regionalization?

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch</u>	<u>Revenue Bond Long-Term Interest Rate</u>
<b>Best Quality</b>	Aaa	AAA	AAA	
<b>High Quality</b>	Aa1	AA+	AA+	
	Aa2	AA	AA	5.11
	Aa3	AA-	AA-	5.26
<b>Upper Medium Grade</b>	A1	A+	A+	5.41
	A2	A	A	5.61
	A3	A-	A-	5.86
<b>Medium Grade</b>	Baa1	BBB+	BBB+	6.36
	Baa2	BBB	BBB	6.61
	Baa3	BBB-	BBB-	6.86

The City of Auburn is currently rated Baa1, the long-term interest rate in today's market would be 6.11%  
Cayuga County is rated A3

Bond insurance options are far more limited today than in the past  
A half-point difference in interest rates for the City's borrowing over the next 5 years  
equals roughly \$1.9 million over the life of the bonds.

## Are There Enough Benefits to Support Regionalization? (Continued)

- Regional input and decision-making concerning capital improvements – what projects should go forward and how are they prioritized?
- Regionalization offers a mechanism for the communities to create a fair and reasonable approach for the sharing of water and wastewater costs – regionalization is not the only way that such an agreement can be reached but it offers the opportunity for all parties to work together
- There may be some operating savings through regionalization, but we assume they are not substantial

## Governance/Financial

Other Things That We Should Think About?

## Potential Next Steps

### Potential Schedule and Milestones for the Remainder of Phase 1 and Phase 2

- Between today and the August 31 Workshop
- Content of the August 31 Workshop
- Between the August 31 Workshop and the Phase 2 Application Due Date - if there is interest in proceeding further
- Content of the September 28<sup>th</sup> Workshop
- After the September 28<sup>th</sup> Workshop

## Potential Next Steps

### What is Needed to Apply for Phase 2 and Due Dates

## Next Workshops

### ■ Schedule:

- Monday August 31<sup>st</sup>, 2009 at 4:00pm at Cayuga County Soil & Water
- Monday September 28<sup>th</sup>, 2009 at 4:00pm at Cayuga County Soil & Water

### Workshop #4

Cayuga Regional Water & Sewer System  
Project: Inter-Municipal Task Force

Feasibility Study for the Potential  
Consolidation of Water and Sewer  
Systems

Workshop #4  
August 24, 2009

## Workshop #4 Outline

- Introduction
- Overview of the Potential Structure for a Regional Agency
- Experience of the Mohawk Valley Water Authority
- Options for Representation
- First Draft of the Scope of Work and Budget for the Implementation Phase
- What is needed to apply for Phase 2 funding and what are the due dates?
- Next Steps

## Workshop #4 Outline (Continued)

- Next Workshop

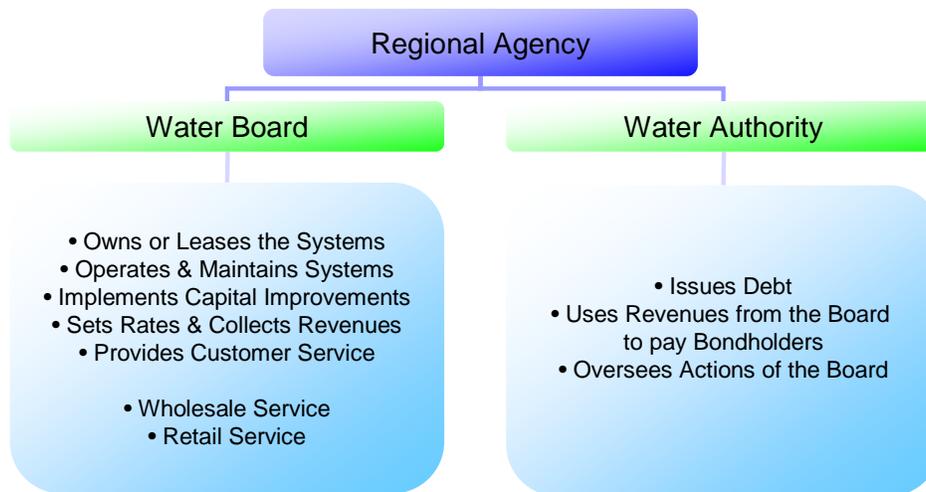
## Introduction

- What we hope to accomplish this evening
- The results of the technical review will be covered in a later workshop
- Please share ideas, suggestions, questions, concerns

## One Alternative Structure for a Regional Enterprise – For Discussion Purposes



## One Alternative Structure for a Regional Enterprise – For Discussion Purposes



## Example of a Water Authority & Board

Upper Mohawk Valley Regional Water Board (dba Mohawk Valley Water Authority)	Upper Mohawk Valley Regional Water Finance Authority
--	--

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>▪ Owner</li> <li>▪ Operator</li> <li>▪ Hires employees and contractors</li> <li>▪ Makes payments in lieu of taxes to County, City, towns and school districts</li> <li>▪ Plans and implements capital improvements</li> <li>▪ Has regulatory &amp; legal responsibility</li> <li>▪ Sets the annual budget and water rates</li> <li>▪ Has rate-setting capability, no taxing power</li> <li>▪ Raises revenue to pay costs including debt service on bonds of the Authority</li> <li>▪ Asks the Authority to issue debt</li> </ul> | <ul style="list-style-type: none"> <li>▪ Issues debt as requested by the Board</li> <li>▪ Pays principal and interest on its debt through funds provided by the Board</li> <li>▪ Has the responsibility to make sure the Board meets its obligations</li> <li>▪ Has no staff</li> </ul> |
|---|---|

## Upper Mohawk Valley Regional Water Board - Membership

- 2 members by Utica City Council (50% of meters in Utica)
- 2 members by Utica Mayor
- 2 members by Oneida County Executive
  - 1 resident of a village outside City
  - 1 resident outside City, subject to approval by Herkimer County Legislature
- 2 members by Oneida County Legislature – must be residents of the City
- 1 member by Town Board of New Hartford (14%)
- 1 member by Town Board of Whitestown (7%)
- 1 member by Marcy, Schuyler & Kirkland (rotates) (5%)
- 1 member by Trenton, Deerfield & Frankfort (rotates) (7%)

## Governance

### Options for the Governance of a Regional Enterprise

#### Option A

Weighted Voting Based on Cash Flow				
	Annual Revenue (\$)	% of Revenue	Number of Representatives	Weighted Voting
CCWSA	900,000	6%	1	6%
Fleming	700,000	4%	1	4%
Throop	200,000	1%	1	1%
Sennett	1,000,000	6%	1	6%
Owasco	1,500,000	9%	1	9%
Aurelius	500,000	3%	1	3%
Auburn	11,200,000	70%	1	70%
Total	16,000,000	100%	7	100%

# Governance

## Options for the Governance of a Regional Enterprise

### Option B

#### Representation Based on Cash Flow - Minimum of One Per Participant

	<u>Annual Revenue (\$)</u>	<u>% of Revenue</u>	<u>Number of Representatives</u>
CCWSA	900,000	6%	1
Fleming	700,000	4%	1
Throop	200,000	1%	1
Sennett	1,000,000	6%	1
Owasco	1,500,000	9%	1
Aurelius	500,000	3%	1
Auburn	11,200,000	70%	13
Total	<u>16,000,000</u>	<u>100%</u>	<u>19</u>

# Governance

## Options for the Governance of a Regional Enterprise

### Option C

#### Representation Using Mohawk Valley Structure With Weighted (50% City) Voting

	<u>Annual Revenue (\$)</u>	<u>% of Revenue</u>	<u>Number of Representatives</u>	<u>Weighted Voting</u>
CCWSA	900,000	6%	1	9%
Fleming	700,000	4%	1	7%
Throop	200,000	1%	1	2%
Sennett	1,000,000	6%	1	10%
Owasco	1,500,000	9%	1	16%
Aurelius	500,000	3%	1	5%
Auburn	11,200,000	70%	6	50%
Total	<u>16,000,000</u>	<u>100%</u>	<u>12</u>	<u>100%</u>

# Governance

## Options for the Governance of a Regional Enterprise

### Option D

	<u>Annual Revenue (\$)</u>	<u>% of Revenue</u>	<u>Number of Representatives</u>
CCWSA	900,000	6%	1
Fleming	700,000	4%	1
Throop	200,000	1%	1
Sennett	1,000,000	6%	1
Owasco	1,500,000	9%	1
Aurelius	500,000	3%	1
Auburn	11,200,000	70%	6
Total	<u>16,000,000</u>	<u>100%</u>	<u>12</u>

## Potential Phase 2 Scope (the Implementation Phase)

- Designation of someone to lead the implementation phase
- Final policy decisions:
  - Composition and appointments to a Board and Authority
  - Services to be provided by the Board and Authority
  - Assets to be owned or leased
  - Existing debt to be acquired or left "as is"
  - How the cost of service will be determined and rates will be set
  - Other features
- Incorporate policy decisions into draft agreements and proposed State legislation

## Potential Phase 2 Scope & Outcomes (the Implementation Phase)

- Another decision point: to continue or not continue
- Request introduction and approval of State legislation (2010)
- After approval of legislation, final approval by the communities
- Appointment of the Board and Authority members
- Transition from current structure to the selected structure

## Potential Next Steps

Potential Schedule and Milestones for the Remainder of  
Phase 1 and Phase 2



## Potential Next Steps

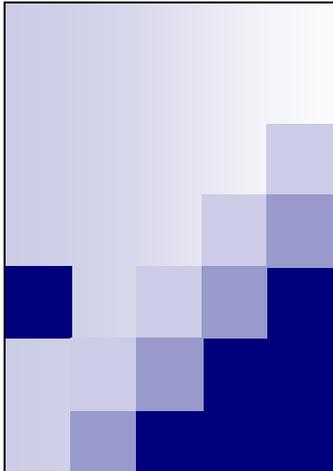
What is Needed to Apply for Phase 2 and Due Dates



## Next Workshops

- Schedule:

## Workshop #5



Cayuga Regional Water & Sewer System  
Project: Inter-Municipal Task Force

Feasibility Study for the Potential  
Consolidation of Water and Sewer  
Systems

Workshop #5  
September 15, 2009

**Amawalk**  
Consulting Group LLC



### Workshop #5 Outline

- Introduction
- Review of Policy Decisions
- Status of Application for Phase 2 Funding
- Preparation of Phase 1 Report
- Next Steps

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Consulting Group LLC

1

## Discussion of Policy Decisions

- The following list probably does not include everything, please feel free to add to the list as we go along, at the end of today's meeting or sometime after the meeting
- If we can reach a preliminary consensus on one or more policies today that will be great --- but many of these policies will require some thought and discussion so there is no rush; the decisions can be made at a later date
- Policy decisions will eventually be incorporated into draft agreements and/or proposed State legislation

## Policy Decisions- Governance

- Will participants have a choice of retail or wholesale service?
  - Seems to be the preference of the Working Group in prior workshops
- Can participants change from wholesale to retail in the future? What is the procedure for changing?
  - If the answer is yes, what is the procedure for changing?
  - Is there a payment required to change?
- Should a separate Board and Authority be formed without a referendum?
  - Water authorities and boards have been created without a referendum to save the time and the cost of a referendum

## Policy Decisions- Governance

- How should the service area be defined for the regional agency (short-term and long-term)?
  - Part of the County or all of the County?
  - Compatibility with the CCWSA
  - Flexibility to provide service outside of Cayuga County?
- If a community outside of the current participants requires service in the future, is the responsibility for service with the CCWSA or the regional agency?
- Can other municipalities, water districts and sewer districts join in the future?
  - If so, what is the process to be followed and do they receive representation?

## Policy Decisions- Governance

- Will existing employees be transferred to the regional agency?  
How will salaries, wages & benefits be determined?
  - Typically, existing employees are transferred with the same salaries & benefits
  - Requires provisions when employees from multiple systems are merged with different salaries, wages & seniority
- Representation for the participants
  - Seems to be a consensus that each participant has at least one representative?
  - More discussion is needed on representation
- Who appoints the representatives?

## Policy Decisions- Governance

- Where will the regional agency be located?
  - Sometimes specified upfront, otherwise at discretion of the Board
  - One option is the wastewater treatment plant in Auburn
- Will Board members receive any compensation or just the reimbursement of out-of-pocket expenses?
  - Typically just out-of-pocket expenses, if any
- Should wholesale members have the ability to vote on retail capital improvements, budget and rates or just the wholesale capital improvements, budget and rates?
  - Retail customers could be adversely affected by the position of wholesale customers

## Policy Decisions- Governance

- Can the regional agency offer services on a contract basis to participants or non-participants (e.g., billing and collection)? Would there be any limitations on the ability of the regional agency to contract for services?
  - Could provide services cost-effectively
  - Potential source of revenue to the agency
- Who is responsible for liabilities (if any) that were created or incurred prior to the formation of the agency?
  - Hazardous waste clean-ups and obligations for previous retirees of the system are examples
  - Typically remain with the prior owner or operator, but a policy decision

## Policy Decisions- Economics

- Should all services be offered on the first day or should services be phased-in over time?
  - Services that can be offered would be specified in legislation and agreements
  - Based on economies of scale, it may make sense to offer water and sewer, wholesale and retail, on day one ... but would there be other reasons to phase-in the services?
- Will existing assets be acquired? How will assets be valued?
  - Example: If the wastewater treatment assets are acquired for the debt outstanding and the revenues associated with that debt are acquired as well, there is no impact on cash flows and sewer rates
  - Paying for assets that currently have no revenues means that revenues and rates must increase
- Should existing assets be leased instead of acquired?
  - Water Boards in Niagara Falls and Utica own the assets; in NYC the assets are leased
  - If the existing debt stays with the communities, leasing may make more sense

## Policy Decisions- Economics

- Will the regional agency make any upfront payments to the communities?
  - Some new regional agencies were required to make upfront payments as part of the agreements
  - Upfront payments will require new revenues to pay for them and will be reflected in an increase in rates
- Should the County and/or the participants provide backing for the regional agency's credit?
  - It is expected that the backup will never be used, but it provides investors in the agency's bonds with comfort
  - The backup could strengthen the initial credit rating of the agency
  - Would the County and/or the participants be willing to provide such a pledge?

## Policy Decisions- Economics

- Should the City continue to provide support services to the agency over the short-term or long-term?
  - Services include: purchasing, payroll, vehicle maintenance, accounting, billing & collection
  - If so, how will the compensation for the City's services be determined?
  - Sometimes these services are retained initially but phased out over time (for example, Utica and Niagara Falls)
  
- Will existing debt or the principal & interest payment obligations be acquired by the regional agency?
  - Option exists to acquire the debt or leave it as is
  - If the existing revenues that pay the debt service are acquired, there is no impact on cash flow and rates
  - If the regional agency can refinance the debt to improve cash flow, allowing this option could provide a significant benefit

## Policy Decisions- Economics

- Will the regional agency make any payments in lieu of taxes?
  - Some new regional agencies (e.g., in Utica) were accompanied by required PILOT payments
  - There are no PILOT payments now; adding PILOT payments will require new revenues and be reflected in an increase in rates
  
- Will the communities have the flexibility to bill water charges and sewer capital charges on the basis of property value or to use general fund revenue or usage charges?
  - Presumably, wholesale customers will receive one bill from the agency and then will bill individual customers
  - Sewer operating costs should be billed on usage, unless the use of property taxes was pre-approved

## Policy Decisions- Economics

- Can the regional agency borrow funds on behalf of its participants for projects to be constructed by the participants with a pledge of repayment?
  - Regional agency borrowing may be more cost-effective than individual local borrowing
  - Strength of pledge of repayment would be essential
  - Could be offered as an option, but not required
  
- Will the County and/or the communities provide a guarantee for revenue collection?
  - Very important to ensure high collection rate
  - Can be direct guarantee or transfer to taxes
  - If with taxes, what priority does water/sewer have vs. other delinquencies such as school taxes?

## Policy Decisions- Technical

- What services should be offered by the regional agency: water, wastewater, stormwater?
  - Water and wastewater seem straightforward but what about stormwater? Available as an option?
  - Stormwater could include water that enters combined sewers and/or separate drainage
  - State will be focusing attention on stormwater management
  
- Other policy decisions?



## Status of Phase 2 Application

- Documents and resolutions
- Due date



## Preparation of Phase 1 Report

- Required under the State grant
- Report will document the work that has been performed
- Draft will be submitted to the working group for review
- Presentations to the communities

## Next Steps

- Another Workshop?
  - Potential agenda
  - Schedule and location
- Other steps?

### Workshop #6

Cayuga Regional Water & Sewer System  
Project: Inter-Municipal Task Force

Feasibility Study for the Potential  
Consolidation of Water and Sewer  
Systems

Workshop #6  
November 9, 2009

## Workshop #6 Outline

- Introduction
- Review of Policy Decisions
- Status of Application for Phase 2 Funding
- Proposed Structure of the Phase 1 Report
- Draft Materials for Public Presentations
- Next Steps

## Discussion of Policy Decisions

- The following list probably does not include everything, please feel free to add to the list as we go along, at the end of today's meeting or sometime after the meeting
- We included preliminary conclusions & observations from the last workshop (highlighted in red italics) --- hopefully we have correctly captured the thoughts of the group
- Many of these policies will require further thought and discussion --- while there is no rush; we suggest that the discussions continue after today so that preliminary decisions can be made before Phase 2
- Policy decisions will eventually be incorporated into draft agreements and/or proposed State legislation

## Policy Decisions - Governance

- Will participants have a choice of retail or wholesale service?
  - Seems to be the preference of the Working Group in prior workshops
  - Each participant would have a choice*
  
- Can participants change from wholesale to retail in the future? What is the procedure for changing?
  - If the answer is yes, what is the procedure for changing?
  - Is there a payment required to change?
  - Changing from wholesale to retail seems to be a reasonable option; the procedure for changing & payment (if any) requires further thought and discussion*
  
- Should a separate Board and Authority be formed without a referendum?
  - Water authorities and boards have been created without a referendum to save the time and the cost of a referendum

*Working Group preference is to avoid a public referendum*

## Policy Decisions - Governance

- How should the service area be defined for the regional agency (short-term and long-term)?
  - Part of the County or all of the County?
  - Compatibility with the CCWSA
  - Flexibility to provide service outside of Cayuga County?
  - This requires further thought and discussion*
  
- If a community outside of the current participants requires service in the future, is the responsibility for service with the CCWSA or the regional agency?
  - This requires further thought and discussion*
  
- Can other municipalities, water districts and sewer districts join in the future?
  - If so, what is the process to be followed and do they receive representation?

*This requires further thought and discussion*

## Policy Decisions - Governance

- Will existing employees be transferred to the regional agency? How will salaries, wages & benefits be determined?
  - Typically, existing employees are transferred with the same salaries & benefits
  - Requires provisions when employees from multiple systems are merged with different salaries, wages & seniority
  - *The approach seems reasonable but will require some further thought and discussion*
  
- Representation for the participants
  - Seems to be a consensus that each participant has at least one representative?  
– *Yes*
  - *Representatives should have credentials/ no one community should have more than 50% voting right or representation*
  - More discussion is needed on representation – *Yes*
  
- Who appoints the representatives?
  - *This requires further thought and discussion*

## Policy Decisions - Governance

- Where will the regional agency be located?
  - Sometimes specified upfront, otherwise at discretion of the Board
  - One option is the wastewater treatment plant in Auburn
  - *Seems reasonable to locate in Auburn because the regional assets will be there but will require some further discussion*
  
- Will Board members receive any compensation or just the reimbursement of out-of-pocket expenses?
  - Typically just out-of-pocket expenses, if any
  - *The approach seems reasonable but will require some further discussion*
  
- Should wholesale members have the ability to vote on retail capital improvements, budget and rates or just the wholesale capital improvements, budget and rates?
  - Retail customers could be adversely affected by the position of wholesale customers; *wholesale customers will want assurances that retail spending is fiscally sound*
  - *The entire board should have voting rights on every issue*

## Policy Decisions - Governance

- Can the regional agency offer services on a contract basis to participants or non-participants (e.g., billing and collection)? Would there be any limitations on the ability of the regional agency to contract for services?
  - Could provide services cost-effectively
  - Potential source of revenue to the agency
  - This seems reasonable; the limitations or flexibility of available services requires further thought and discussion*
  
- Who is responsible for liabilities (if any) that were created or incurred prior to the formation of the agency?
  - Hazardous waste clean-ups and obligations for previous retirees of the system are examples
  - Typically remain with the prior owner or operator, but a policy decision
  - This requires further thought and discussion*

## Policy Decisions - Economics

- Should all services be offered on the first day or should services be phased-in over time?
  - Services that can be offered would be specified in legislation and agreements
  - Based on economies of scale, it may make sense to offer water and sewer, wholesale and retail, on day one ... but would there be other reasons to phase-in the services?
  - All services (water and wastewater, maybe stormwater) would be offered from day one; participants could choose whether they want one or more services*
  
- Will existing assets be acquired? How will assets be valued?
  - Example: If the wastewater treatment assets are acquired for the debt outstanding and the revenues associated with that debt are acquired as well, there is no impact on cash flows and sewer rates
  - Paying for assets that currently have no revenues means that revenues and rates must increase
  - Acquisition of regional assets for the debt outstanding and the revenues associated with the debt makes sense; there would be no payments for assets that have no revenues & no \$ paid beyond the existing debt*

## Policy Decisions - Economics

- Should existing assets be leased instead of acquired?
  - Water Boards in Niagara Falls and Utica own the assets; in NYC the assets are leased (*NYC retained the previously-issued debt on the assets*)
  - If the existing debt stays with the communities, leasing may make more sense
  - *Since it is likely that the existing debt on the regional assets will be transferred to the regional agency together with the assets, it seems to make sense that the assets would be acquired by the regional agency*

## Policy Decisions - Economics

- Will the regional agency make any upfront payments to the communities?
  - Some new regional agencies were required to make upfront payments as part of the agreements
  - Upfront payments will require new revenues to pay for them and will be reflected in an increase in rates
  - *City requests no upfront payment for wholesale assets; assume City, communities and CCWSA will take the same approach for retail assets if & when they are transferred*
- Should the County and/or the participants provide backing for the regional agency's credit?
  - It is expected that the backup will never be used, but it provides investors in the agency's bonds with comfort
  - The backup could strengthen the initial credit rating of the agency
  - Would the County and/or the participants be willing to provide such a pledge?

## Policy Decisions - Economics

- Should the City continue to provide support services to the agency over the short-term or long-term?
  - Services include: purchasing, payroll, vehicle maintenance, accounting, billing & collection
  - If so, how will the compensation for the City's services be determined?
  - Sometimes these services are retained initially but phased out over time (for example, Utica and Niagara Falls)
  - *Initial discussion supports the City needing to pay off existing debt rather than transferring debt to the regional agency; requires further discussion*
- Will existing debt or the principal & interest payment obligations be acquired by the regional agency?
  - Option exists to acquire the debt or leave it as is
  - If the existing revenues that pay the debt service are acquired, there is no impact on cash flow and rates
  - If the regional agency can refinance the debt to improve cash flow, allowing this option could provide a significant benefit
  - *Initial assumption is that the debt associated with the regional facilities together with the current revenue that is used to repay the debt are acquired by the regional agency*

## Policy Decisions - Economics

- Will the regional agency make any payments in lieu of taxes?
  - Some new regional agencies (e.g., in Utica) were accompanied by required PILOT payments
  - There are no PILOT payments now; adding PILOT payments will require new revenues and be reflected in an increase in rates
  - *City requests no PILOT payments for wholesale assets; assume City, communities and CCWSA will take the same approach for retail assets if & when they are transferred*
- Will the communities have the flexibility to bill water charges and sewer capital charges on the basis of property value or to use general fund revenue or usage charges?
  - Presumably, wholesale customers will receive one bill from the agency and then will bill individual customers
  - Sewer operating costs should be billed on usage, unless the use of property taxes was pre-approved
  - *Assume that the communities will have the flexibility to use either basis of billing, subject only to federal/state sewer user charge regulations*

## Policy Decisions - Economics

- Can the regional agency borrow funds on behalf of its participants for projects to be constructed by the participants with a pledge of repayment?
  - Regional agency borrowing may be more cost-effective than individual local borrowing
  - Strength of pledge of repayment would be essential
  - Could be offered as an option, but not required
  - *Seems reasonable but this requires further thought and discussion*
- Will the County and/or the communities provide a guarantee for revenue collection?
  - Very important to ensure high collection rate
  - Can be direct guarantee or transfer to taxes
  - If with taxes, what priority does water/sewer have vs. other delinquencies such as school taxes?
  - *This requires further thought and discussion*

## Policy Decisions - Technical

- What services should be offered by the regional agency: water, wastewater, stormwater?
  - Water and wastewater seem straightforward but what about stormwater? Available as an option?
  - Stormwater could include water that enters combined sewers and/or separate drainage
  - State will be focusing attention on stormwater management
  - *Stormwater requires further thought and discussion*
- Other policy decisions?

## Status of Phase 2 Application

- Application submitted to the NYS Department of State
  - Application is complete and is currently under review
  - Copies of the application were mailed to project partners
- Expected response date- coincide with 2010 State Budget
- No follow-up is necessary at the moment...
  - NYS DOS may require further information in the future

## Proposed Contents of Phase 1 Report

- 1) Cover Page
- 2) Executive Summary
- 3) Tasks - Management and Intermunicipal Cooperation (power point summary and summary of meetings)
- 4) Tasks- Technical Analysis - CRA mapping results and summary of infrastructure assets
- 5) Tasks- Governance and Institutional Analysis - a narrative summary of the decisions that have been made to date & decisions to come
- 6) Tasks- Finance/ Economic Analysis - review of 2008 W/ S Master Plan capital improvement needs, financial projections and the water/sewer budgets/rates of the City, towns and CCWSA
- 7) Public Outreach - presentation materials and public presentations to Towns/ City for draft report/ public comment
- 8) Recommendations - should be similar or match what we hope to accomplish with the next LGE grant funds.
- 9) Appendices – copies of all workshop presentations and notes

## Outline of Proposed Public Presentation

- Background – Brief overview of how water and sewer service is provided in the City and surrounding communities
- Background – A significant need to invest in the region's water & sewer infrastructure in the next 10 years (pictures & \$)
- Why consider the regionalization of water & sewer facilities and services?
  - The City constructed the original facilities but has historically not re-invested enough in the assets that serve the region
  - Communities outside of the City and the CCWSA have had no voice in infrastructure investment, management and rate-setting
  - The long-term decline in the City's customer base means that the City cannot afford to make the needed investments on its own
  - There is an opportunity to structure a regional agency that can borrow money less expensively than the City over the long-term
- Award of the NY State Local Government Efficiency Grant
  - Purpose of the Grant and the participating organizations
  - Brief review of the work performed to date

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17

## Outline of Proposed Public Presentation

- Findings of the work to date
  - Based on the experience of other regional water and sewer agencies in New York State, there is an opportunity to create a regional agency that can borrow funds for water & sewer improvements less expensively than the City and offer representation for all participants; lower borrowing costs will require future rate increases that will be lower than if the City borrows the funds (illustration of savings will be presented)
  - There is significant interest among the participants in preserving the quality of service that is being provided at the local level as well as to set customer rates locally – therefore, it is suggested that services would be offered on a wholesale or retail basis at the choice of the participants (illustration to be provided)
  - Other potential advantages include better eligibility (as a regional group) for state grants and low-interest loans
  - More work is needed to identify and reach agreement on the specific methods that will be used to develop the annual rates and charges to the participants as well as many other terms and conditions

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18

## Outline of Proposed Public Presentation

- Next steps
  - Communication with the public and with elected officials
  - Awaiting feedback from the State on a Phase 2 grant application request that will enable the participants to evaluate regionalization further and implement a regional approach if there are sufficient benefits and there is agreement on the proposed approach

## Next Steps and Meeting Dates

- December 2009- Inter-municipal Task Force meeting to continue policy discussions
- January 2009- Inter-municipal Task Force meeting and distribute draft public presentation materials to the group for review and comment
- January/ February 2009-
  - Receive comments/make revisions and distribute final draft
  - Schedule and location for public presentations and briefings to elected officials
- March 2009- Revise and distribute final study to Task Force members
- Other steps?

## 8.2. Appendix B

### Responses to Questions during Community Presentations

*Question #1: What is the current amount of City of Auburn's outstanding, bonded debt for water and sewer improvements?*

Answer:

<b>Water Debt</b>	<b>Issued Amount</b>	<b>Amt Outstanding as of EOY 2010</b>
Series 1996A	235,000	19,555
Series 2003A	780,000	354,650
Series 2003F	2,499,956	1,845,000
Series 2006A	410,000	342,000
NYPA WTP Energy Improvements 2009	606,065	573,311
	<b>\$ 4,531,021</b>	<b>\$ 3,134,516</b>

<b>Wastewater Debt</b>	<b>Issued Amount</b>	<b>Amt Outstanding as of EOY 2010</b>
Series 1999	7,544,189	3,765,000
Series 2002F for EFC 1994D	32,855,000	23,190,000
Series 2002F for EFC 1995A	980,000	710,000
Series 2002 Long Term 0% Direct	747,000	405,015
Series 2003A	395,000	264,650
Series 2006A	625,000	439,000
Series 2007 BAN	97,000	83,000
NYPA WTP Energy Improvements 2009	290,427	274,731
	<b>\$ 43,533,616</b>	<b>\$ 29,131,396</b>

*Question #2: How much of the existing bonded debt for water and sewer improvements does the City of Auburn intend to retain (and to transfer to a new entity, if one is created)?*

Answer:

Based on the work performed by the Working Group comprised of representatives of the City; the communities of Aurelius, Owasco, Sennett, Throop and Fleming; and the Cayuga County Water and Sewer Authority, it is expected that either the debt or the debt service repayment obligation for the regional assets will be transferred to the regional entity. The regional assets are likely to include the following: wastewater treatment facilities, water supply and treatment facilities; residuals management facilities for the treatment plants; pumping stations and pipes that serve more than just the City; flow measuring devices; and other related assets that serve more than the City. The selection of assets to be transferred and the allocation of debt and debt service will be reviewed by all members of the Working Group as part of the Phase II regionalization effort, being funded for the most part by the State of New York. The final decision on which assets

will be transferred from the City to the regional agency will be made in Phase II. A comprehensive cost of service study has been initiated as part of Phase II, which, among other things, will assign the outstanding debt and debt service to the potential regional assets as well as to those assets that will remain with the City. The results of this analysis will be shared among the Working Group members.

*Question #3: Please identify the water and sewer facilities the City of Auburn intends to keep (and to transfer to a new entity, in the event one is formed).*

Answer:

Please see the response to Question #2 above.

*Question #4: According to the draft Feasibility Study for the Potential Consolidation of Water and Sewer Systems, dated March 1, 2010 (page 4), "The City [previously] commissioned a high level master plan to determine the ten-year infrastructure capital investment needs, along with the corresponding rate projections." ... Is this plan available to the public?*

Answer:

A copy of the presentation to the Mayor and Council of the high level Master Plan as well as a digital copy of the 10-year Capital Improvement Plan for Water and Sewer Infrastructure will be available on the City website ([www.ci.auburn.ny.us](http://www.ci.auburn.ny.us)) by July 23, 2010.

*Question #4: The draft Feasibility Study (page 27) states that the master plan prepared for the City identified \$37 million in needed capital improvements for water and wastewater systems over the next ten years. Please explain how much of the \$37 million in projected costs are related to facilities the City plans to retain, and please identify those facilities.*

Answer:

The presentation to the Mayor and Council in Item #4 above illustrates the proposed capital improvements to the water system and the wastewater system for the period of 2009 through 2013. Few of these improvements have been implemented to date. The \$37 million in needed improvements was for a ten-year planning horizon with a relatively modest pace of investment. Based on the types of potential regional facilities mentioned in Item #2, it appears that over 60% of the capital improvements would be applicable to potential regional facilities. However, the final percentage depends on policy decisions concerning which assets are transferred to a regional agency as well as the results of the ongoing comprehensive cost of service study in Phase II of the feasibility work.

*Question #5: It was suggested that the creation of a new authority may save money. Please quantify any projected savings and explain how the savings were calculated.*

Answer:

Under the status quo, the City will borrow all of the funds needed to upgrade the water and sewer systems for the foreseeable future. The communities and the CCWSA would pay their share of the City's debt service on those bonds through their water rates and/or sewer rates. At the time the Phase 1 work was being performed, the City's credit rating was Baa1. The City has recently been upgraded to an A rating. Notwithstanding this upgrade, the principal potential benefit of a new authority is the long-term opportunity to obtain a better long-term bond rating than the City. The Mohawk Valley Water Authority (Utica) has achieved a solid A rating for some time now. The Monroe County Water Authority (Rochester) is rated AA and recently borrowed funds at very attractive rates. The track record of water and sewer authorities in New York State is generally very good. The bond rating agencies look favorably upon the separation of water and sewer costs and revenues into self-sufficient entities. If the new authority can borrow at better interest rates than the City, all users of the system will benefit. In addition, New York State Environmental Facilities Corporation (NYSEFC) has typically looked favorably upon regionalization and/or water authority initiatives. If a new authority can obtain a greater share of its future capital dollars through NYSEFC in the form of low interest loans, all users of the system will benefit. Specific projected savings from the above factors have not been calculated. There may also be economies of scale in operations but we suggest that no savings be assumed at this time.

*Question #6: At the present time, the Cayuga County Water and Sewer Authority pays water rates to the City at a defined percentage above the rates charged to City residents and the City bulk users. Please explain, specifically, how water rates to City residents and to City bulk users are currently calculated.*

Answer:

The City currently maintains a Water Fund and a Sewer Fund. The debt service on outstanding water and sewer bonds and notes together with the labor-related and non-labor expenses of the water and sewer system are charged to the respective funds. Certain City support services are also charged to the funds. Rates and charges are set by the Mayor and Council. In a given year, a decision can be made to use General Fund revenues to avoid or minimize increases in rates with the expectation that the General Fund will be paid back at a later date.

Rates and charges for communities outside of the City as well as the Cayuga County Water and Sewer Authority are calculated based on the terms of the agreements between the parties.

*Question #7: Does the City currently contemplate any change in the methods by which rates will be calculated in the future? If so, please explain any proposed change in the rate setting method.*

Answer:

A comprehensive cost of service study is being undertaken in Phase II of the project. The cost of service methodology and basis for rate determination will be examined during the study and reviewed by all members of the Working Group. There are no pre-determined outcomes for this analysis.

*Question #8: During the Cayuga County Water and Sewer Authority's Wednesday, May 19, meeting there was reference to a grant proposal which included summaries of existing contracts between the City and water consumers. Have copies of this grant application been provided to the partnering communities?*

Answer:

The grant application for New York State Department of State Local Government Efficiency Grant funding for the "Cayuga Regional Water and Sewer Authority Implementation Project" was sent to all partnering communities (the City of Auburn, Towns of Fleming, Owasco, Sennett, Throop and Aurelius as well as the Cayuga County Water and Sewer Authority on September 29, 2009. Additional copies of the grant application are available upon request.

*Question #9: What percentage of the City of Auburn's current revenue stream from water sales is paid by the Authority?*

Answer:

The 2009 percentage was 9.2%..

*Question #10: During the May 19<sup>th</sup> presentation to the Cayuga County Water and Sewer Authority, there was one comment to the effect that a new Authority (if created) would not honor the existing water supply agreement between the City and the Authority. Please explain whether honoring the existing agreement is contemplated, and any reason(s) why the existing agreement would not be honored through its minimum term, which currently expires in the year 2021.*

Answer:

If the new agency is created, the City of Auburn will no longer be in the business of supplying treated water. The responsibility for supplying treated water will be with the new regional agency. The regional agency will be responsible for setting rates and charges for its members and, if applicable, non-member customers.