



City of Ogdensburg
Summary of Sewer Rate
February 6, 2021

The Ogdensburg City Council was supplied a projection of sewer rates, employing three different methods on January 25, 2021. Since this time, additional analysis has been done to determine the cost-to-treat for outside users as well as the City's internal cost to treat raw sewage.

Illustrations which project the next ten year of sewer rates have been updated to detail the impact of the costs associated with the potential approval of change order seven to the waste water treatment plant upgrades and a conservative estimate of the potential revenue which can be gained from the contract with Heuvelton.

Cost-to-Treat

Analysis was done by Environmental Design & Research (EDR) to determine the cost-to-treat per k-gallon of sewer. In their analysis of the sewer budget, EDR determined the related expenses and the respective percentage that should be applied when determining the direct costs to outside users of the City's waste water treatment plant (WWTP). EDR analyzed costs associated with sewer administration, sewer maintenance, water pollution control, insurance and debt service. In summary, they identified direct costs to associate with the outside user and based on their methodology, using the 2021 budgeted expenses, the cost-to-treat of outside sewage is \$1.02 per k-gallon. This does not include any markup that would be agreed to by the contracting parties.

In EDR's analysis of Heuvelton as an outside user, it is estimated that Heuvelton will convey 91,250 k-gallons to the City's WWTP. Before any mark-up for additional administrative overhead, this would be an estimated potential additional revenue to the City of approximately \$93,075.

In an effort to determine the City's cost to treat analysis, all budgeted items were included based on the 2021 budget numbers as well as the anticipated increase in debt service, expected in 2022. In summary, the cost to treat a k-gallon of sewage in the City is estimated to be \$1.72 in the ensuing year. Contributing factors to the additional costs to the City include, but are not limited to sewer maintenance of the City's sewer system and the money charged by the general fund to support the City's sewer operations.

Fees Charged to City Users

At the completion of the WWTP upgrade, and in the event the City approves change order seven, it is anticipated the cost of the WWTP upgrade will be approximately \$49,000,000. Of this amount, \$10,000,000 of the costs will be offset by grants and \$924,261 will be offset by reimbursement from Heuvelton. To that end, the City will be responsible for additional debt in the amount of \$38,075,739. Of this amount \$20,000,000 is a hardship loan and bears no interest. Although subject to adjustment, the anticipated interest rate of the remaining \$18,075,739 bears an interest rate of 1.65% per annum.

Assuming a straight amortization of this debt over a 30 year period, the sewer fund's additional debt service will be approximately \$1,420,975 per year, to include both interest and principal. Attached, are three scenarios which illustrate the need for an increase in sewer rates. As illustrated in Scenario 3, the use of the fund balance to support this debt is not a viable solution. Therefore, the additional debt burden of the Sewer Fund dictates a need for a significant increase in rates or an alternate proposal of how the City manages the daily operations of the waste water treatment plant. Continuing to operate the Sewer Fund in a manner consistent with today will require an approximate 50% increase in sewer rates over the next 10 year period.

City of Ogdensburg
Sewer Fund Budget & Rate Projections
2020 - 2030

Scenario #1: This model assumes rates will be adjusted each year to balance the budget. No impact to fund balance year to year

Note: Debt Service figures included Change Order #7, which is unapproved at 02.05.2021

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<u>EXPENDITURE SUMMARY</u>	<u>Unaudited</u>	<u>Approved Budget</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
PERSONAL SERVICE	557,951	661,602	664,529	683,505	706,307	729,908	753,630	778,123	803,412	829,523	856,482
EQUIPMENT & CAPITAL OUTLAY	59,077	60,564	98,079	98,079	98,079	98,079	99,060	100,050	101,051	102,061	103,082
CONTRACTUAL, MATERIAL & SUPPLIES	596,013	731,771	650,938	651,322	660,728	670,392	670,361	680,344	687,009	696,797	702,956
CONTRACTED SERVICE	554,170	832,342	520,968	498,605	468,464	435,934	457,731	480,617	504,648	529,881	556,375
DEBT SERVICE	273,766	272,837	1,704,903	1,698,093	1,508,018	1,506,960	1,475,205	1,474,035	1,472,843	1,476,605	1,430,975
FRINGE BENEFITS	310,178	386,189	451,777	471,668	495,675	521,440	547,512	574,888	603,632	633,814	665,504
TOTAL	2,351,155	2,945,305	4,091,194	4,101,272	3,937,271	3,962,713	4,003,499	4,088,057	4,172,595	4,268,680	4,315,374
<u>REVENUE SUMMARY</u>											
OPERATING REVENUE	2,800,187	2,945,305	4,089,460	3,989,033	3,832,116	3,857,222	3,894,883	3,976,479	4,058,076	4,158,503	4,196,163
NEW REVENUE SOURCES	-	-	-	112,000	107,548	108,261	109,329	111,644	113,959	116,808	117,876
FUND BALANCE ALLOCATION	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2,800,187	2,945,305	4,089,460	4,101,033	3,939,664	3,965,483	4,004,212	4,088,123	4,172,035	4,275,311	4,314,039
Suprlus/(Deficit)	449,032	0	(1,734)	(239)	2,393	2,770	713	66	(560)	6,630	(1,335)
PROJECTED FUND BALANCE	2,633,505	2,633,505	2,631,771	2,631,532	2,633,925	2,636,695	2,637,408	2,637,474	2,636,914	2,643,545	2,642,210

PROJECTED RATES

RATE INCREASE	3%	3%	46%	-2%	-4%	1%	1%	2%	2%	3%	1%
ANNUAL FLAT RATE AMOUNT	\$430.00	\$443.00	\$645.00	\$629.00	\$604.00	\$608.00	\$ 614.00	\$ 627.00	\$ 640.00	\$ 656.00	\$ 662.00
AMOUNT OF INCREASE	\$13.00	\$13.00	\$202.00	\$(16.00)	\$(25.00)	\$4.00	\$6.00	\$13.00	\$13.00	\$16.00	\$6.00

City of Ogdensburg
Sewer Fund Budget & Rate Projections
2020 - 2030

Scenario 2: This model adjust rates to maintain a fund balance equal to approximately 20% of operating expenses

Note: Debt Service figures included Change Order #7, which is unapproved at 02.05.2021

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EXPENDITURE SUMMARY	Unaudited	Approved Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
PERSONAL SERVICE	557,951	661,602	664,529	683,505	706,307	729,908	753,630	778,123	803,412	829,523	856,482
EQUIPMENT & CAPITAL OUTLAY	59,077	60,564	98,079	98,079	98,079	98,079	99,060	100,050	101,051	102,061	103,082
CONTRACTUAL, MATERIAL & SUPPLIES	596,013	731,771	650,938	651,322	660,728	670,392	670,361	680,344	687,009	696,797	702,956
CONTRACTED SERVICE	554,170	832,342	520,968	498,605	468,464	435,934	457,731	480,617	504,648	529,881	556,375
DEBT SERVICE	273,766	272,837	1,704,903	1,698,093	1,508,018	1,506,960	1,475,205	1,474,035	1,472,843	1,476,605	1,430,975
FRINGE BENEFITS	310,178	386,189	451,777	471,668	495,675	521,440	547,512	574,888	603,632	633,814	665,504
TOTAL	2,351,155	2,945,305	4,091,194	4,101,272	3,937,271	3,962,713	4,003,499	4,088,057	4,172,595	4,268,680	4,315,374
REVENUE SUMMARY											
OPERATING REVENUE	2,800,187	2,945,305	2,903,167	3,361,365	3,781,902	3,838,392	3,882,329	3,970,203	4,058,076	4,145,950	4,189,887
NEW REVENUE SOURCES	-	-	-	112,000	126,185	128,091	129,573	132,537	135,501	138,465	139,947
FUND BALANCE ALLOCATION	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2,800,187	2,945,305	2,903,167	3,473,365	3,908,088	3,966,483	4,011,902	4,102,740	4,193,577	4,284,415	4,329,834
Suprlus/(Deficit)	449,032	0	(1,188,027)	(627,907)	(29,183)	3,770	8,403	14,682	20,982	15,735	14,460
PROJECTED FUND BALANCE	2,633,505	2,633,505	1,445,478	817,571	788,387	792,157	800,561	815,243	836,226	851,960	866,420
PROJECTED RATES											
RATE INCREASE	3%	3%	3%	16%	13%	2%	1%	2%	2%	2%	1%
ANNUAL FLAT RATE AMOUNT	\$430.00	\$443.00	\$456.00	\$529.00	\$596.00	\$605.00	\$612.00	\$626.00	\$640.00	\$654.00	\$661.00
AMOUNT OF INCREASE	\$13.00	\$13.00	\$13.00	\$73.00	\$67.00	\$9.00	\$7.00	\$14.00	\$14.00	\$14.00	\$7.00

**City of Ogdensburg
Sewer Fund Budget & Rate Projections
2020 - 2030**

Scenario 3: This model assumes a constant rate increase of 3% each year

Note: Debt Service figures included Change Order #7, which is unapproved at 02.05.2021

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EXPENDITURE SUMMARY	<u>Unaudited</u>	<u>Approved Budget</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
PERSONAL SERVICE	557,951	661,602	664,529	683,505	706,307	729,908	753,630	778,123	803,412	829,523	856,482
EQUIPMENT & CAPITAL OUTLAY	59,077	60,564	98,079	98,079	98,079	98,079	99,060	100,050	101,051	102,061	103,082
CONTRACTUAL, MATERIAL & SUPPLIES	596,013	731,771	650,938	651,322	660,728	670,392	670,361	680,344	687,009	696,797	702,956
CONTRACTED SERVICE	554,170	832,342	520,968	498,605	468,464	435,934	457,731	480,617	504,648	529,881	556,375
DEBT SERVICE	273,766	272,837	1,704,903	1,698,093	1,508,018	1,506,960	1,475,205	1,474,035	1,472,843	1,476,605	1,430,975
FRINGE BENEFITS	310,178	386,189	451,777	471,668	495,675	521,440	547,512	574,888	603,632	633,814	665,504
TOTAL	2,351,155	2,945,305	4,091,194	4,101,272	3,937,271	3,962,713	4,003,499	4,088,057	4,172,595	4,268,680	4,315,374
REVENUE SUMMARY											
OPERATING REVENUE	2,800,187	2,945,305	2,903,167	2,991,040	3,078,914	3,179,341	3,273,491	3,367,641	3,461,792	3,555,942	3,650,092
NEW REVENUE SOURCES	-	-	-	112,000	115,336	119,149	122,723	126,298	129,872	133,447	137,021
FUND BALANCE ALLOCATION	-	-	1,188,027	925,232	520,246	-	-	-	-	-	-
TOTAL	2,800,187	2,945,305	4,091,194	4,028,272	3,714,496	3,298,490	3,396,214	3,493,939	3,591,664	3,689,389	3,787,113
Suplus/(Deficit)	449,032	0	(0)	(73,000)	(222,775)	(664,223)	(607,284)	(594,118)	(580,931)	(579,292)	(528,261)
PROJECTED FUND BALANCE	2,633,505	2,633,505	1,445,478	447,246	(295,774)	(959,998)	(1,567,282)	(2,161,400)	(2,742,331)	(3,321,623)	(3,849,883)
PROJECTED RATES											
RATE INCREASE	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
ANNUAL FLAT RATE AMOUNT	\$430.00	\$443.00	\$456.00	\$470.00	\$484.00	\$500.00	\$515.00	\$530.00	\$545.00	\$560.00	\$575.00
AMOUNT OF INCREASE	\$13.00	\$13.00	\$13.00	\$14.00	\$14.00	\$16.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00