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MEMORANDUM

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**TO:** STEVE GIESBRECHT, BOROUGH MANAGER  
**FROM:** KARL HAGERMAN, UTILITY DIRECTOR *KH*  
**SUBJECT:** WATER AND WASTEWATER DEBT AUTHORIZATION ORDINANCE  
**DATE:** 7/11/2019  
**CC:** DEBBIE THOMPSON, BOROUGH CLERK

An ordinance that authorizes new debt in the water and wastewater departments will be on the July 18<sup>th</sup> Assembly agenda. I wanted to provide some backup information for this ordinance for your benefit and the benefit of the Assembly and public.

In the recent budget preparation, the departments were requested to provide a 5-year capital improvement plan for informational purposes. In producing the plans, it became apparent that a previous authorization for water and wastewater projects was becoming quite stale. Since 1996, the departments have relied upon a favorable community ballot proposition that allowed debt up to \$15M to be incurred for improvements to the water and wastewater systems. However, the main focus of this proposition was for the completion of water and wastewater projects in the Scow Bay area as well as the port area. With that major work being accomplished, and now circling back in some cases for maintenance projects, our attorney believes that it would be best to request re-authorization from the voters of the Borough. The Finance Director and I both concur.

The debt to be incurred is proposed to be funded from the ADEC revolving loan fund. Terms on these loans are very favorable at 20-year repayment at 1.5%. Additionally, the ADEC grant program has changed insofar as official grants are no longer offered by the department, being replaced by varying amounts of "principal forgiveness" that are made at the discretion of ADEC and depending on funds available for this purpose. As there is no exact formula for forgiveness, we must apply for a loan before we can find out if any of the principal will be forgiven.

The projects in both departments to be funded follow trends of imposed regulation and a nationwide trend toward needed replacements and refurbishments of water and wastewater infrastructure. Below is a rundown of each project on the CIP list that would be funded with new loans.

Water Department:

- The water department has been requested to cover the clear well tank many times by ADEC to address a perceived cross connection issue and the CIP is planning to replace the tank by end of FY2022. As the existing tank is corroded, the department is seeking to replace it in its entirety. Estimated cost to replace is \$1,000,000.
- The department has a 6" transite (asbestos cement) water main that crosses Hammer Slough at the end of Kisenon Street. This older pipe material is a worry for the department and any leaks would be hard to detect and repair. The goal of this work would be to replace the line with an HDPE pipe and abandon the existing main in place. Estimated cost to replace is \$300,000.
- The large water leak near Sandy Beach Park last year showed us that the ductile iron water main is severely corroded in that area. It is a fear that the water main throughout Sandy Beach Road is experiencing the same level of corrosion and approaching failure. Some

exploration will be conducted to survey the pipe's condition from Sandy Beach to Hungry Point, but the CIP plans for a full replacement of the main in this area until we know more about the extent of the corrosion damage. Estimated cost to replace this main is \$4,100,000.

#### Wastewater Department

- The department relies on a SCADA system to monitor our collection system and alert operators to problems at the 20 pump stations in the system. The existing SCADA system has been up and running for 30 years and needs upgrades to provide reliable operation. The department has been slowly transitioning to a new SCADA system as pump station upgrades have been accomplished, but a project to fully upgrade the SCADA is proposed in the CIP. Estimated cost for this project is \$250,000.
- Pump station 3 is a major pump station that is tucked in between Icicle Seafoods and Nordic Drive. It accepts all wastewater flow from Main Street and points south and pumps it to the top of PFI Hill. The station requires the same upgrades as completed on Pump Station 5 a couple of years ago – a full replacement with a submersible style pump station to improve efficiency and reliability. Estimated cost of this project is \$640,000.
- Pump Station 4 at Hungry Point has the same configuration as PS3 and would be next on the list for replacement. This station is also a major part of our collection system and we cannot afford for these stations to become unreliable. This station would be replaced with a more efficient submersible pump station. Estimated cost of this project is \$750,000.
- Skylark Pump Station is about ½ mile south of the ferry terminal and accepts flow from the Scow Bay area. Its configuration is similar to Scow Bay Pump Station 1 which we are in the process of replacing in this fiscal year. Replacement with more efficient, higher capacity pumps will be the goal once we start on this project in FY23. Estimated cost of this project is \$550,000.
- In the small neighborhoods off of Lumber Street, there are three smaller pump stations that service a limited amount of homes. While the department has replaced major components of these stations over the years, I have concern over the galvanized steel wetwells that accept the wastewater and contain the submersible pumps. This project would seek to replace the wetwells with HDPE basins that would resist corrosion indefinitely. Estimated cost of this project is \$250,000.

I recommend passage of the ordinance and will be promoting voter approval of the ballot measure this fall. This is one of the only ways that these departments can fund large capital projects and repaying the State for the work over 20 years spreads out the impact to rate payers. It is important to note that although this ordinance and ballot measure will provide authority to incur debt, the decision to move forward with a project is always contingent upon Assembly approval of a proposed loan as well as the Assembly's approval of a contract award.

Lastly, the utilities will be commissioning a rate study in the near future to provide information regarding any impacts to rates if the CIP is followed. Presently, revenues produced by the utilities are sufficient to fund expenses and slowly build reserves for smaller capital projects. If rate increases are recommended by the studies, it will be an Assembly decision to move forward with the CIP for each department. However, holding off on projects will likely lead to increasing O&M budgets to cover increased maintenance and emergency repair costs associated with aging infrastructure.

Please let me know if there are any questions. Thank you.