

# USDA Funding Considerations



Town of Beaufort

March 1, 2021

# USDA Funding Applications (Water, Sewer & Stormwater)

## Program

- Water & Waste Disposal Loan & Grant Program
  - Funds for the acquisition, construction or improvement of:
    - ⇒ Drinking water sourcing, treatment, storage & distribution
    - ⇒ Sewer collection, transmission, treatment & disposal
    - ⇒ Stormwater collection, transmission & disposal



# USDA Funding Applications (Water, Sewer & Stormwater)

## Funding

- Water & Waste Disposal Loan & Grant Program
  - Long-term (40 years), low-interest loans
  - Grants possible to keep user charges reasonable
    - ⇒ Sewer: Up to 75% of total
    - ⇒ Water: Up to 10% of total
    - ⇒ Stormwater: Grants not typical



# USDA Funding Applications (Water, Sewer & Stormwater)

Premise of funding application:

- Available for debt service
  - \$350,000 per year for water & sewer
  - \$120,000 per year for stormwater



# USDA Funding Applications (Water, Sewer & Stormwater)

## Premise of funding application:

- Available for debt service
  - \$350,000 per year for water & sewer
  - \$120,000 per year for stormwater
- Loan terms
  - 1.75% interest rate
  - 38-year principal repayment over a 40-year period



# USDA Funding Applications (Water, Sewer & Stormwater)

Premise of funding application (continued):

- Maximum grants
  - Sewer grant @ 75%
  - Water grant @ 10%
  - Stormwater @ 0%



# USDA Funding Applications (Water, Sewer & Stormwater)

Premise of funding application (continued):

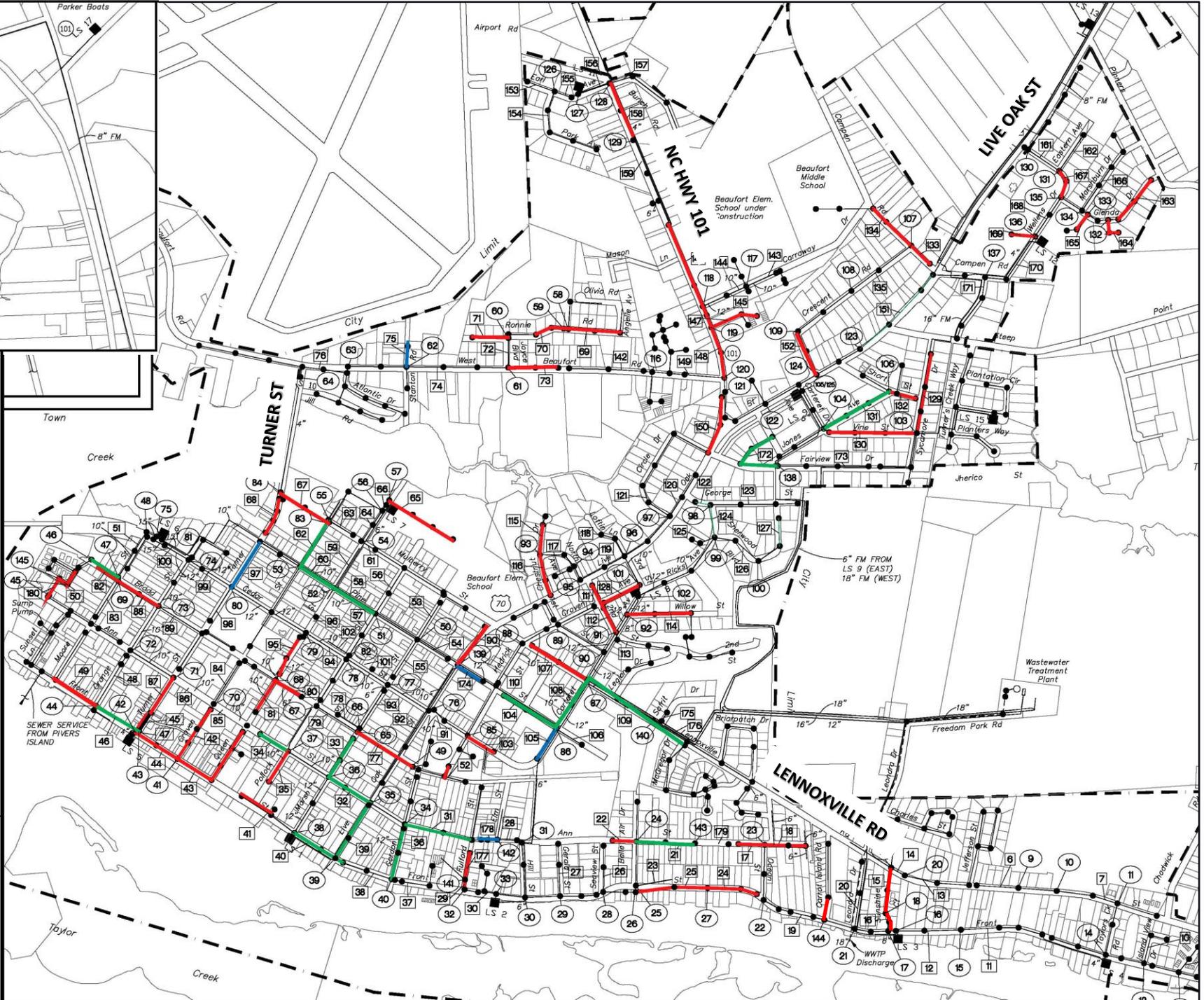
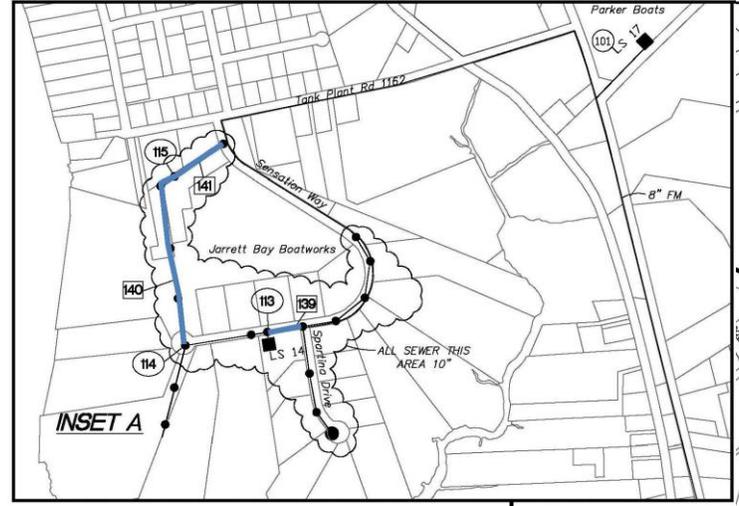
- Maximum grants
  - Sewer grant @ 75% ← Maximize Grant Dollars
  - Water grant @ 10%
  - Stormwater @ 0%



# PROPOSED SEWER PROJECT

## Alternative 3: Sewer Rehabilitation Recommendations

- 40 Pipe Number
- 99 Manhole Inspection Report Number
- CCTV Inspection Replacement
- CIPP Liner and CCTV Inspection



# USDA Funding Applications (Water, Sewer & Stormwater)

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## Funding Application Assumptions:

Sewer Grant Amount (75%)	\$ 9,030,800
Sewer Loan Amount (25%)	3,010,200
Sewer Subtotal	<u>\$12,041,000</u>



# USDA Funding Applications (Water, Sewer & Stormwater)

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## Funding Application Assumptions:

*Debt Service*  
(1.75%, 40 Years)

Sewer Grant Amount (75%)	\$ 9,030,800	
Sewer Loan Amount (25%)	3,010,200	→ \$109,100/Yr
Sewer Subtotal	<u>\$12,041,000</u>	



# USDA Funding Applications (Water, Sewer & Stormwater)

## Funding Application Assumptions:

*Debt Service*  
(1.75%, 40 Years)

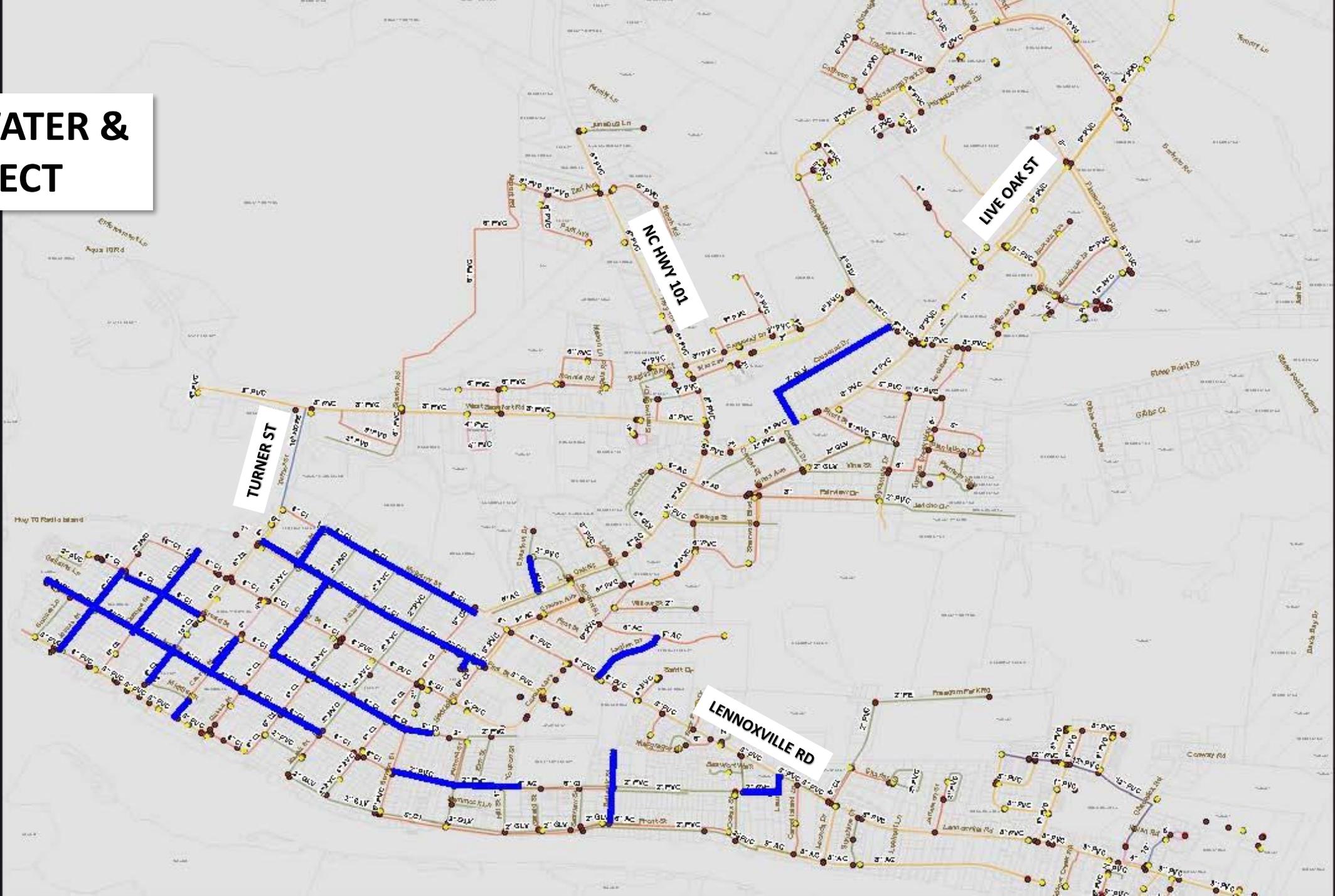
Sewer Grant Amount (75%)	\$ 9,030,800		
Sewer Loan Amount (25%)	3,010,200	→	\$109,100/Yr
Sewer Subtotal	\$12,041,000		
Water Grant Amount (10%)	\$		
Water Loan Amount (90%)		→	\$240,900/Yr
Water Subtotal	\$		

}

\$350,000/Yr



# ASSUMED WATER & SEWER PROJECT



# USDA Funding Applications (Water, Sewer & Stormwater)

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## Funding Application Assumptions:

Sewer Grant Amount (75%)	\$ 9,030,800
Sewer Loan Amount (25%)	3,010,200
Sewer Subtotal	<u>\$12,041,000</u>
Water Grant Amount (10%)	\$ 830,100
Water Loan Amount (90%)	7,229,900
Water Subtotal	<u>\$ 8,031,000</u>



# USDA Funding Applications (Water, Sewer & Stormwater)

## Funding Application Assumptions:

*Debt Service*  
(1.75%, 40 Years)

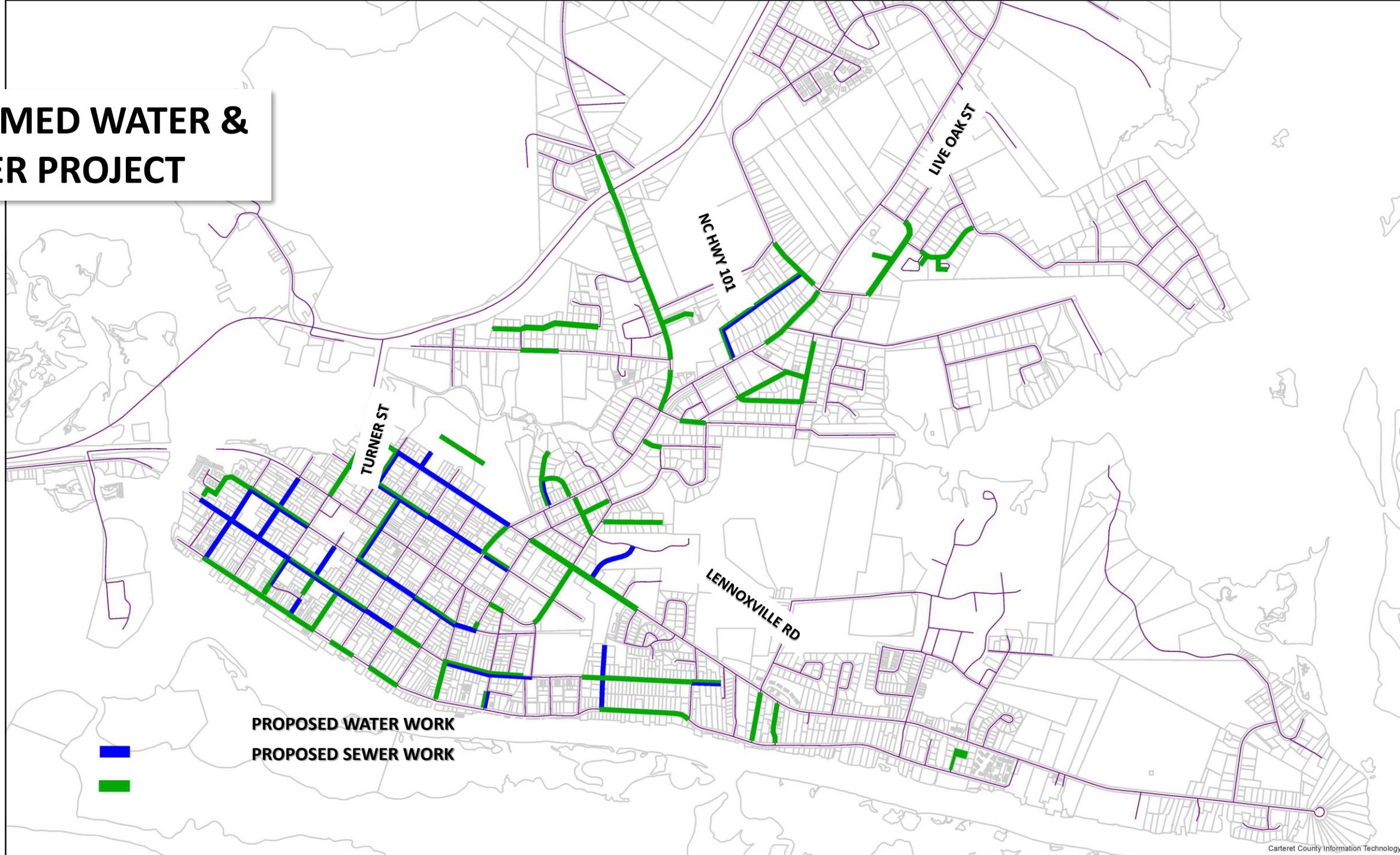
Sewer Grant Amount (75%)	\$ 9,030,800		
Sewer Loan Amount (25%)	3,010,200	→	\$109,100/Yr
Sewer Subtotal	\$12,041,000		
Water Grant Amount (10%)	\$ 830,100		
Water Loan Amount (90%)	7,229,900	→	\$262,100/Yr
Water Subtotal	\$ 8,031,000		

}

\$371,200/Yr



# ASSUMED WATER & SEWER PROJECT



**PROPOSED WATER WORK**  
**PROPOSED SEWER WORK**



# USDA Funding Applications (Water, Sewer & Stormwater)

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## Funding Application vs Offer:

	<i>Goal</i>	<i>Actual Offer</i>
Sewer Grant Amount	\$ 9,038,800	\$ 5,005,000
Sewer Loan Amount	3,010,200	7,036,000
Sewer Subtotal	<u>\$12,041,000</u>	<u>\$12,041,000</u>
Water Grant Amount	\$ 830,100	\$ 0
Water Loan Amount	7,229,900	8,031,000
Water Subtotal	<u>\$ 8,031,000</u>	<u>\$ 8,031,000</u>



# USDA Funding Applications (Water, Sewer & Stormwater)

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## Funding Application vs Offer:

	<i>Goal</i>	<i>Actual Offer</i>
Stormwater Grant Amount	-	\$ 500,000
Stormwater Loan Amount	3,431,000	3,007,000
Stormwater Subtotal	<u>\$ 3,431,000</u>	<u>\$ 3,507,000</u>



# USDA Funding Applications (Water, Sewer & Stormwater)

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## Funding Application vs Offer:

	<i>Goal</i>	<i>Actual Offer</i>
Stormwater Grant Amount	-	\$ 500,000
Stormwater Loan Amount	3,431,000	3,007,000
Stormwater Subtotal	<u>\$ 3,431,000</u>	<u>\$ 3,507,000</u>
<b>OVERALL FUNDING</b>	<b>\$23,503,000</b>	<b>\$23,579,000</b>



# USDA Funding Applications (Water, Sewer & Stormwater)

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## Funding Offer:

- Largest North Carolina sewer grant in over 10 years
- \$5,005,000 sewer grant = 38.5% of State fiscal year grant allocation
- \$5,505,000 grant total = 42.3 %



# USDA Funding Applications (Water, Sewer & Stormwater)

## Premise of funding application:

- Available for debt service
  - \$350,000 per year for water & sewer
  - \$120,000 per year for stormwater
- Loan terms
  - ~~1.75%~~ interest rate **1.25%**
  - Repayment over 40 years ✓



# USDA Funding Applications (Water, Sewer & Stormwater)

## Funding Offer:

*Debt Service*  
(1.25%, 40 Years)

Sewer Grant Amount	\$ 5,005,000		
Sewer Loan Amount	7,036,000	→	\$233,700/Yr
Sewer Subtotal	\$12,041,000		
Water Grant Amount	\$ 0		
Water Loan Amount	8,031,000	→	\$266,800/Yr
Water Subtotal	\$ 8,031,000		

}

\$500,500/Yr



# USDA Funding Applications (Water, Sewer & Stormwater)

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## Funding Offer:

*Debt Service*  
(1.25%, 40 Years)

Stormwater Grant Amount	\$ 500,000	
Stormwater Loan Amount	3,007,000	→ \$99,900/Yr
Stormwater Subtotal	<u>\$12,041,000</u>	
<b>OVERALL FUNDING</b>	<b>\$23,579,000</b>	



# USDA Funding Applications (Water, Sewer & Stormwater)

## Premise of funding application:

- Available for debt service
  - \$350,000 per year for water & sewer **vs \$505,500/year (+\$150,500/year)**
  - \$120,000 per year for stormwater **vs \$99,900/year (-\$ 20,100/year)**
- Loan terms
  - ~~1.75%~~ interest rate **1.25%**
  - 40-year repayment 



# USDA Funding Applications (Water, Sewer & Stormwater)

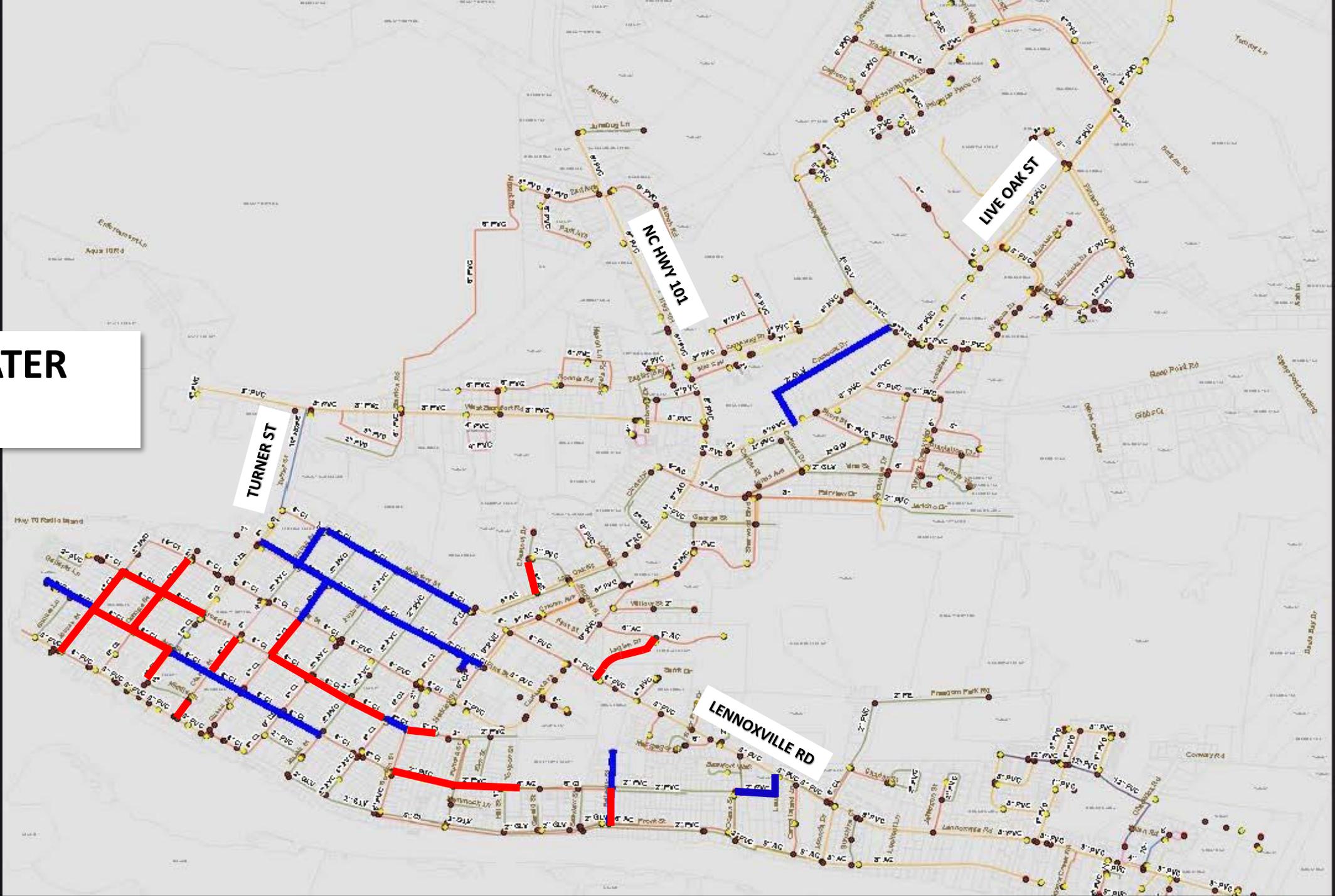
## Funding Offer:

*Debt Service*  
(1.25%, 40 Years)

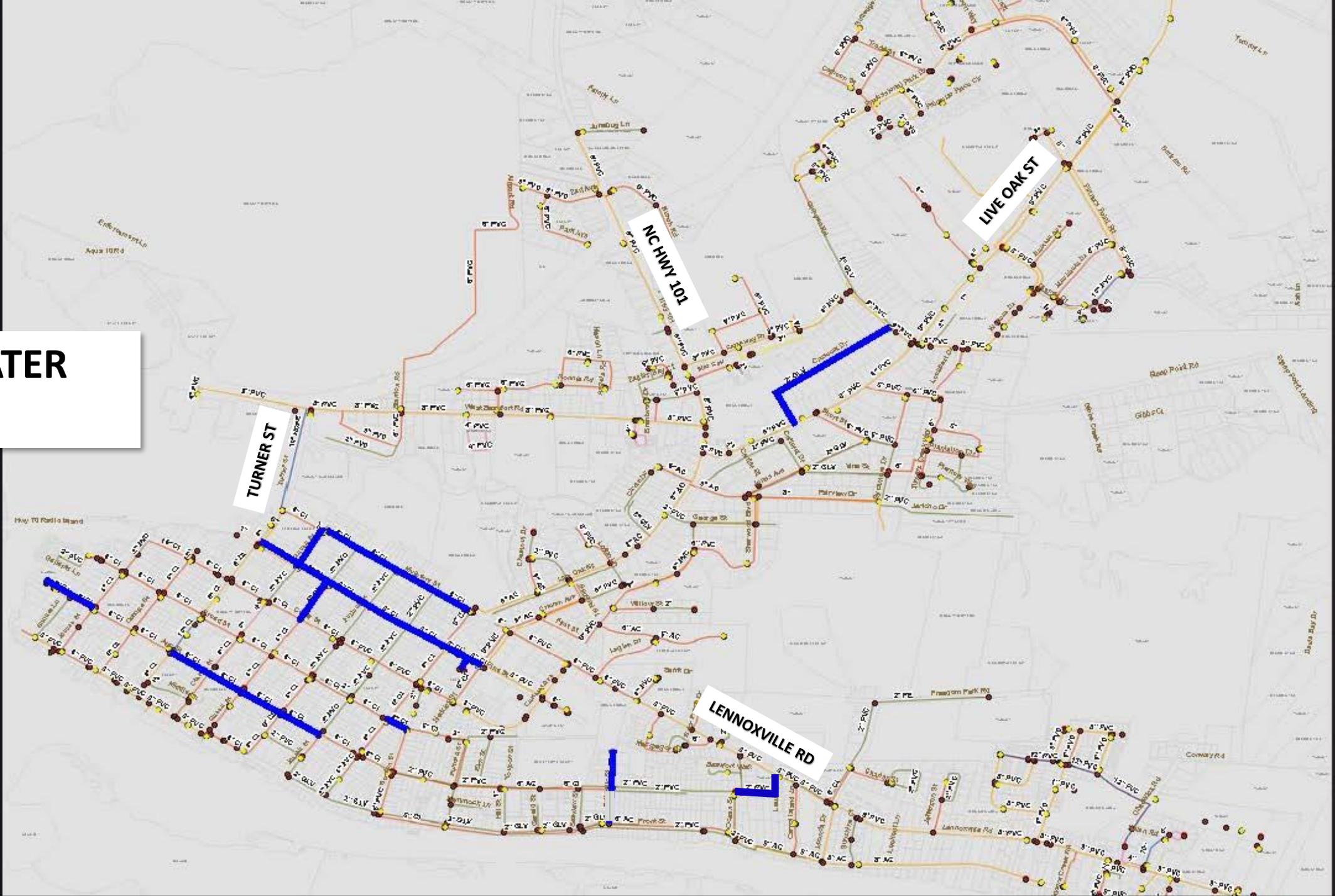
Sewer Grant Amount	\$ 5,005,000			
Sewer Loan Amount	7,036,000	→	\$233,700/Yr	
Sewer Subtotal	\$12,041,000			\$351,700/Yr
Water Grant Amount	\$ 0		\$118,000/Yr	
Water Loan Amount	<del>8,031,000</del>	→	<del>\$266,800/Yr</del>	<del>\$500,500/Yr</del>
Water Subtotal	\$ 8,031,000			



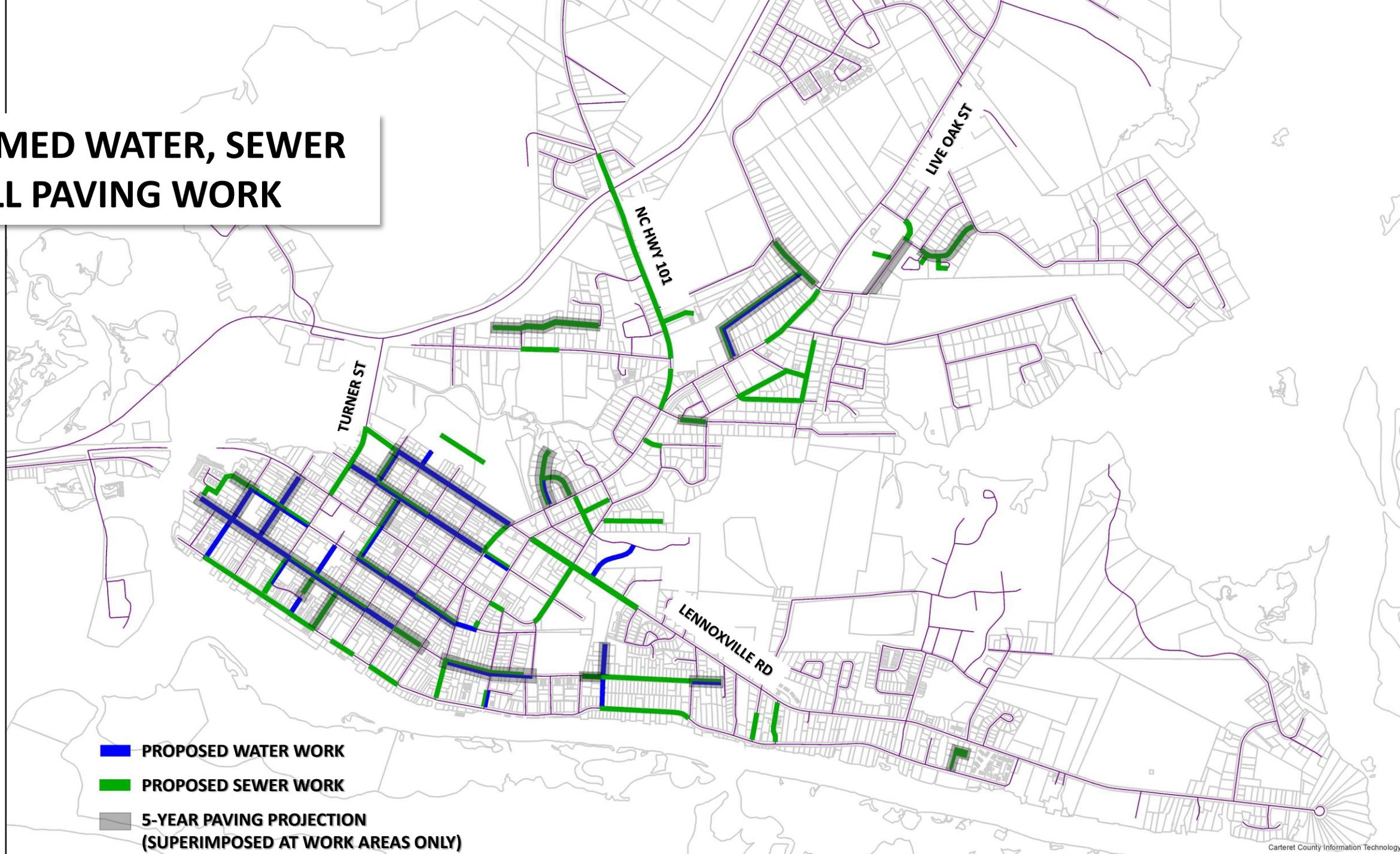
# REDUCED WATER PROJECT



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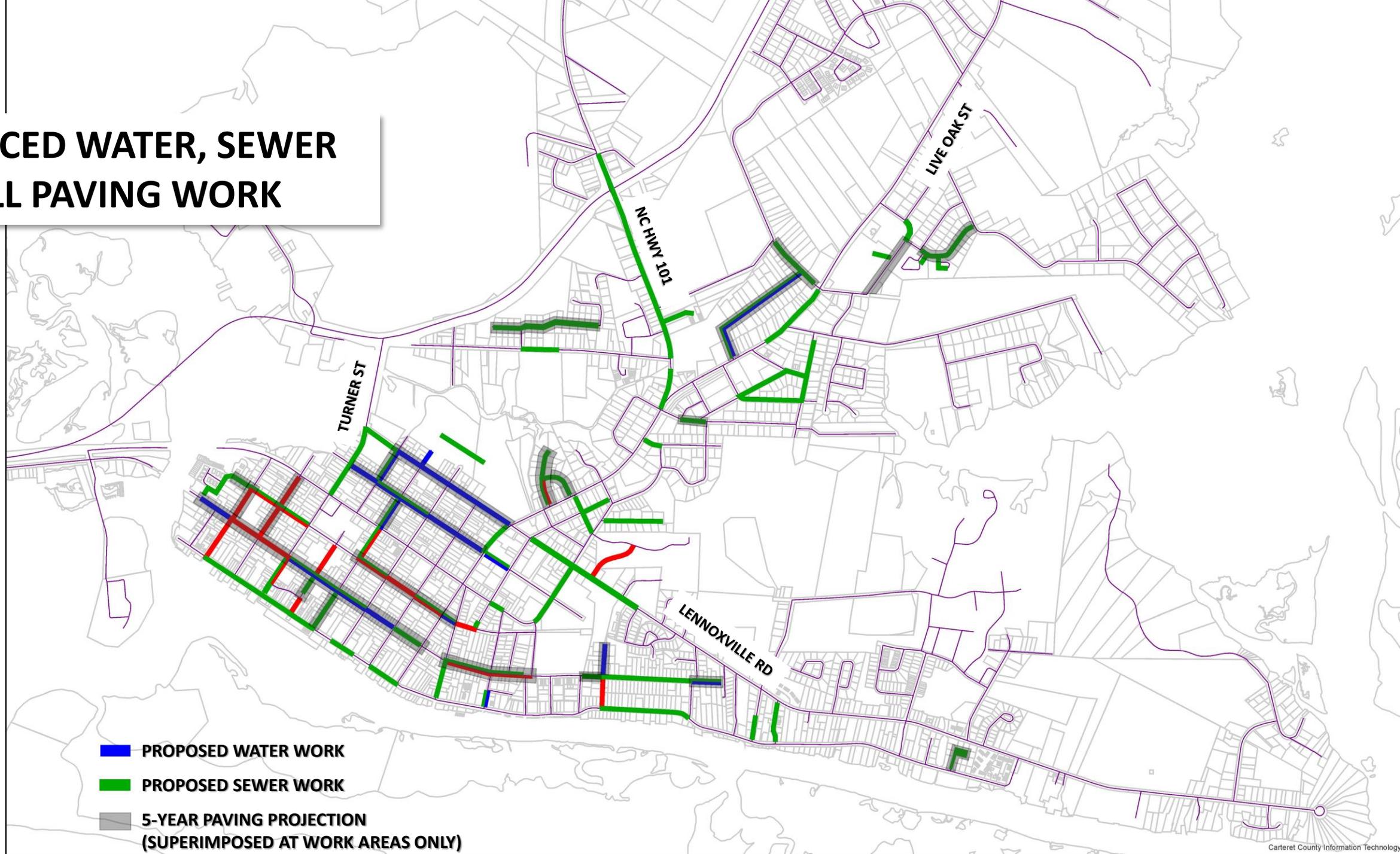


# ASSUMED WATER, SEWER & FULL PAVING WORK



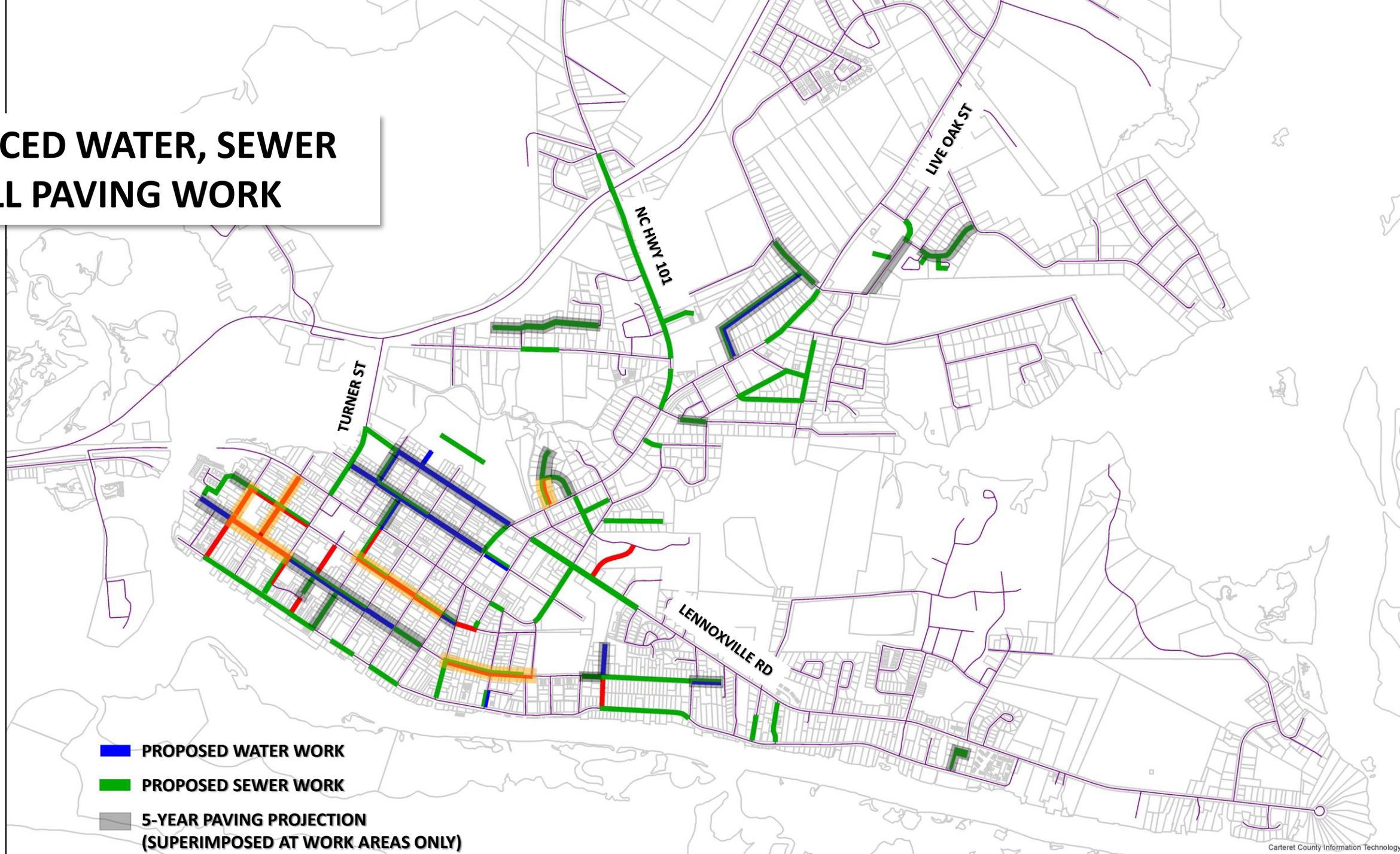
- PROPOSED WATER WORK**
- PROPOSED SEWER WORK**
- 5-YEAR PAVING PROJECTION  
(SUPERIMPOSED AT WORK AREAS ONLY)**

# REDUCED WATER, SEWER & FULL PAVING WORK



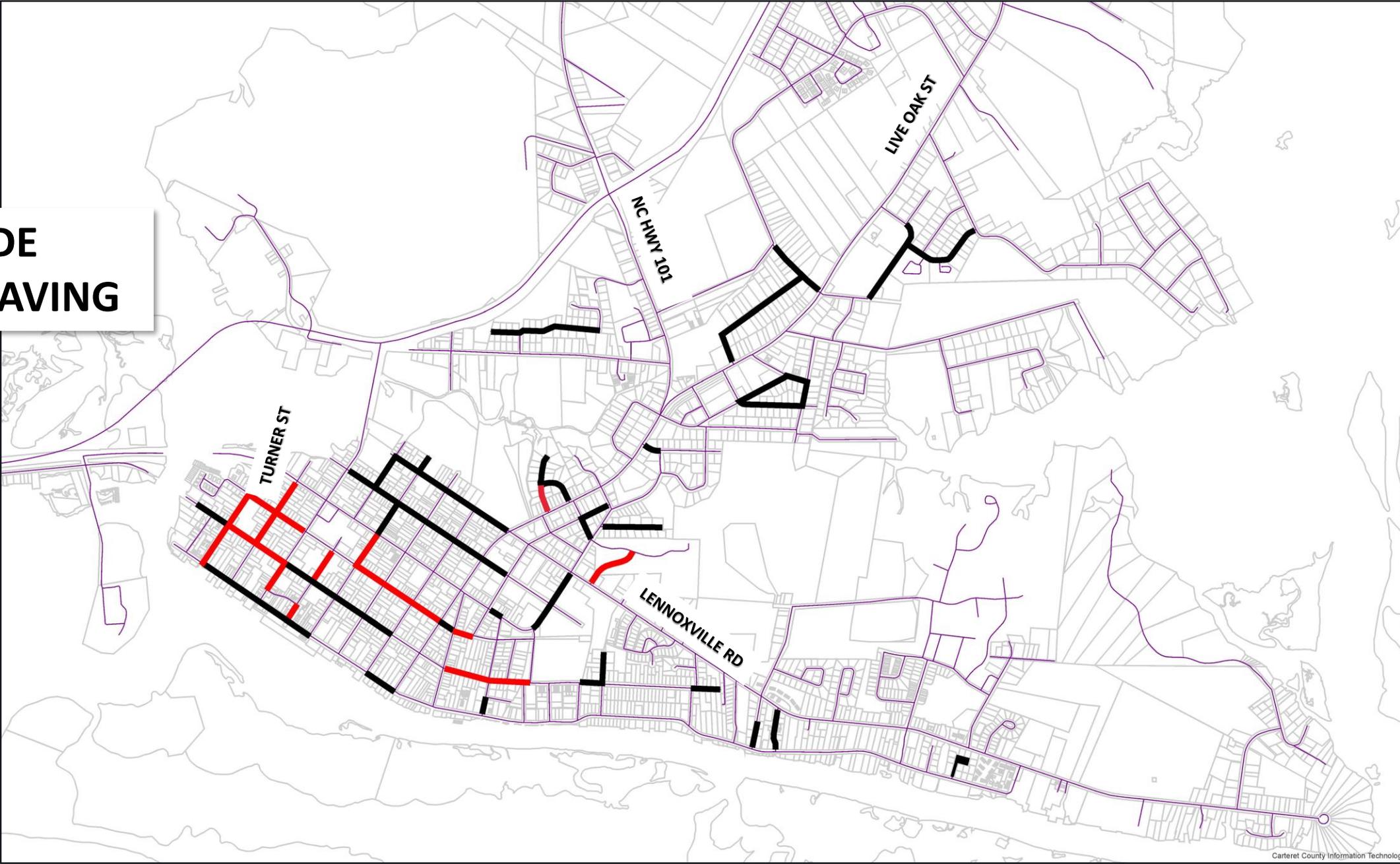
-  PROPOSED WATER WORK
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-  5-YEAR PAVING PROJECTION  
(SUPERIMPOSED AT WORK AREAS ONLY)

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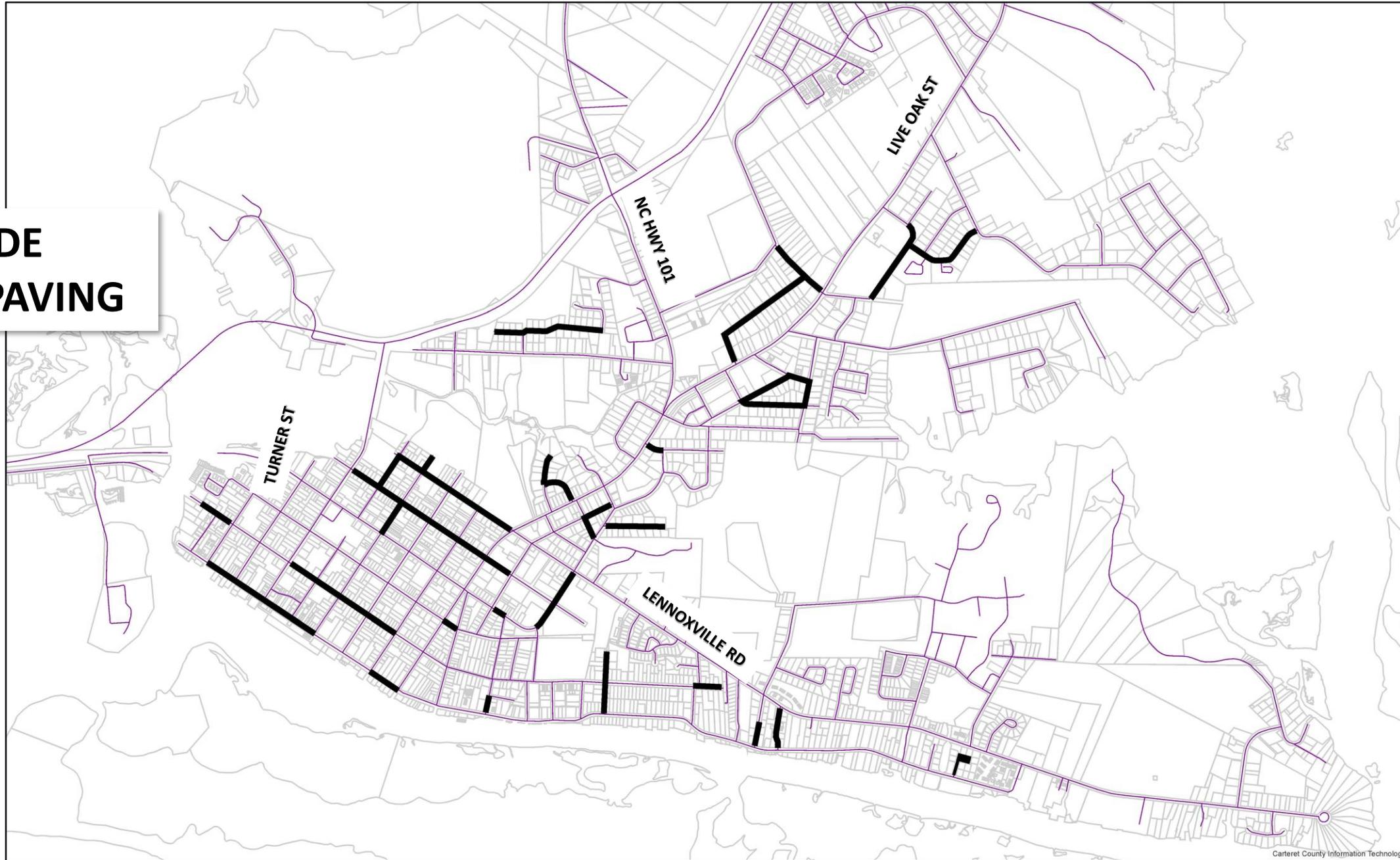


-  PROPOSED WATER WORK
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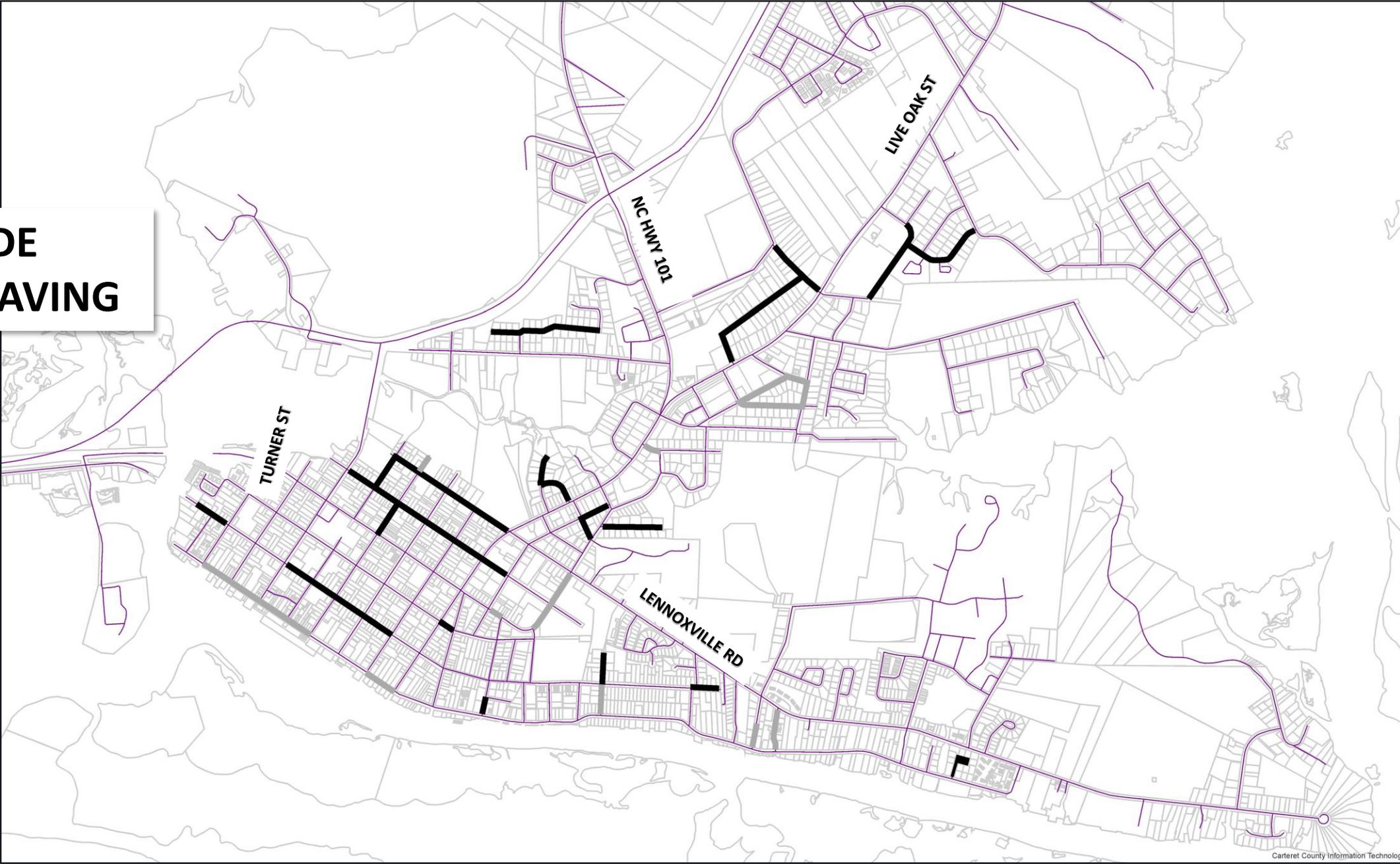
**STREETS MADE  
READY FOR PAVING**



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# Funding the Additional \$4.5 Million USDA Loan

## Water User Charges Examples

- Monthly usage @ **2,000 gallons**
- **3/4**-inch meter

MONTH CHARGES	@ EXISTING RATES		@ NEW RATES \$149,000/YEAR ADDED DEBT SERVICE	
	<u>In-Town</u>		<u>Out-of-Town</u>	
Fixed Charge	\$10.37		\$20.74	
Variable Charge	\$10.14		\$ 15.21	
<b>Total</b>	\$20.51		\$35.95	
			+\$ 2.28	+\$ 3.42

# Funding the Additional \$4.5 Million USDA Loan

## Water User Charges Examples

- Monthly usage @ **4,700 gallons**
- **3/4**-inch meter

MONTH CHARGES	@ EXISTING RATES		@ NEW RATES \$149,000/YEAR ADDED DEBT SERVICE	
	<u>In-Town</u>		<u>Out-of-Town</u>	
Fixed Charge	\$10.37		\$20.74	
Variable Charge	\$23.83		\$ 35.74	
<b>Total</b>	\$34.20		\$56.48	
			+\$ 5.36	+\$ 8.04

# Funding the Additional \$4.5 Million USDA Loan

## Water User Charges Examples

- Monthly usage @ **10,000 gallons**
- **3/4**-inch meter

MONTH CHARGES	@ EXISTING RATES		@ NEW RATES \$149,000/YEAR ADDED DEBT SERVICE	
	<u>In-Town</u>		<u>Out-of-Town</u>	
Fixed Charge	\$10.37		\$20.74	
Variable Charge	\$50.70		\$ 76.05	
<b>Total</b>	\$61.07		\$96.79	
			+\$11.40	+\$ 17.10

# Funding the Additional \$4.5 Million USDA Loan

## Water User Charges Examples

- Monthly usage @ **10,000 gallons**
- **1½** -inch meter

MONTH CHARGES	@ EXISTING RATES		@ NEW RATES \$149,000/YEAR ADDED DEBT SERVICE	
	<u>In-Town</u>		<u>Out-of-Town</u>	
Fixed Charge	\$34.53		\$ 82.96	
Variable Charge	\$50.70		\$ 76.05	
<b>Total</b>	<b>\$85.23</b>		<b>\$159.01</b>	
			+\$11.40	+\$ 17.10

# Funding the Additional \$4.5 Million USDA Loan

## Water User Charges Examples

- Monthly usage @ **25,000 gallons**
- **2-inch meter**

MONTH CHARGES	@ EXISTING RATES		@ NEW RATES \$149,000/YEAR ADDED DEBT SERVICE	
	<u>In-Town</u>		<u>Out-of-Town</u>	
Fixed Charge	\$ 55.27		\$147.25	
Variable Charge	\$126.75		\$190.13	
<b>Total</b>	\$182.02		\$337.38	
			+\$ 28.50	+\$ 42.75

# Funding the Additional \$4.5 Million USDA Loan

## Water User Charges Examples

- Monthly usage @ **60,000 gallons**
- **3-inch meter**

MONTH CHARGES	@ EXISTING RATES		@ NEW RATES \$149,000/YEAR ADDED DEBT SERVICE	
	<u>In-Town</u>		<u>Out-of-Town</u>	
Fixed Charge	\$110.65		\$333.91	
Variable Charge	\$304.20		\$456.30	
<b>Total</b>	\$414.85		\$790.21	
			+\$ 68.40	+\$102.60

# Funding the Additional \$4.5 Million USDA Loan

## Alternatives to Rate Increase

1. Budget utility revenues less conservatively to cover additional debt service requirement (including an additional amount equal to 10% of debt service as required by USDA)
2. Reduce payment to General Fund for administrative services
3. Any combination of 1 and 2
4. Any combination of 1 and 2 with a small rate increase

# Funding the Additional \$4.5 Million USDA Loan

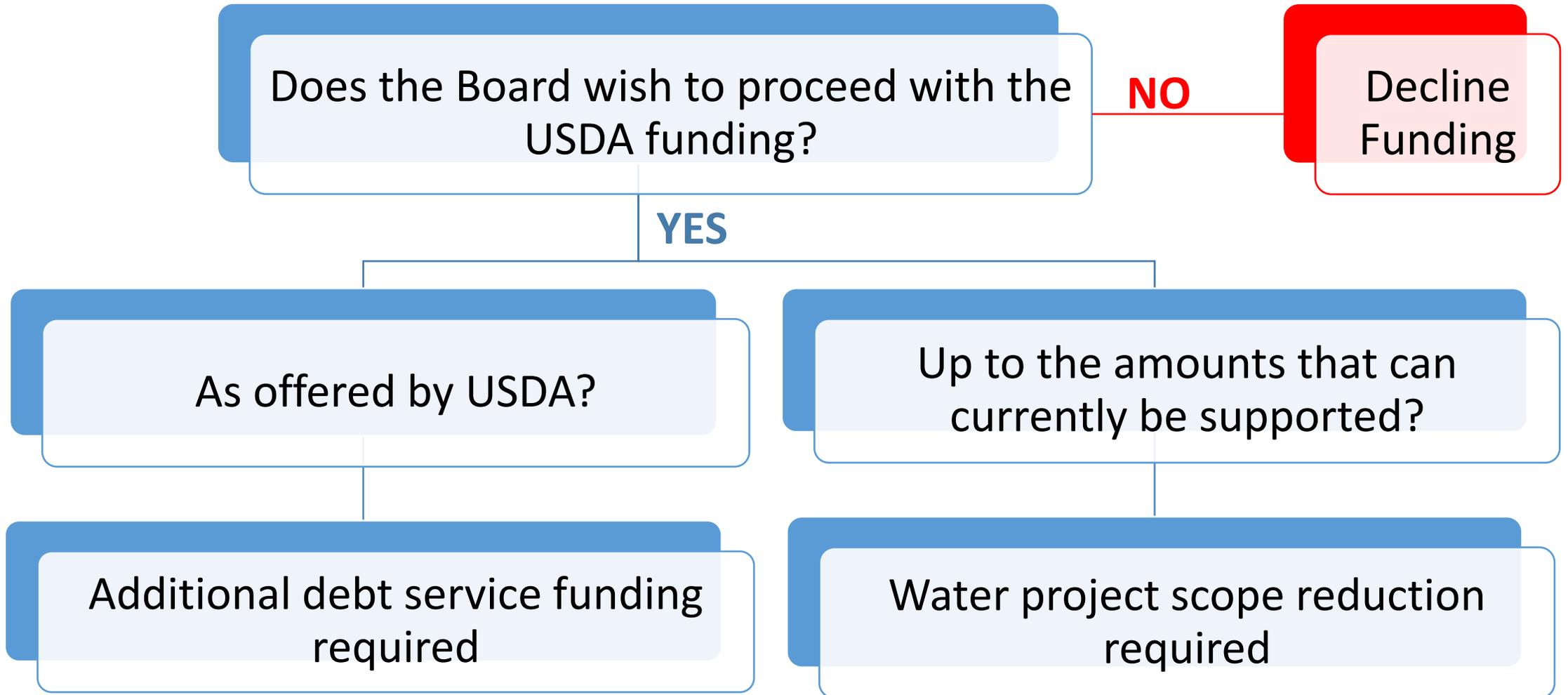
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  3. Any combination of 1 and 2
  4. Any combination of 1 and 2 with a small rate increase
- 

## Important Consideration

- Full accrual (business-type) accounting
  - \$600,000 Utility Fund loss in FY19
  - \$700,000 gain in FY20
  - \$100,000 over 2-year period

# USDA Funding Considerations



# USDA Funding Considerations

QUESTIONS?

COMMENTS?

