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To: Jonathan Duke, Town Manager
Rockport Select Board

RE: Water Resource Recovery Facility (WRRF) and Route 90 Extension Funding Models Memo

Over the past year I have been working with the WRRF Task Force to assist in the funding models and methods of the proposed project. Over the last month the chair of the task force, Bill Bow, and myself have been working on refining those models as much as possible. There are several assumptions made in these models, and we feel they are the best estimates based on the information that we have at this time. Before I go through and summarize our findings, I want to remind everyone that these are merely estimates based on what we know as of today, and these could and probably will change as we progress through the project, as we know more about awarded grant funding, and honestly right up until the project goes to bid.

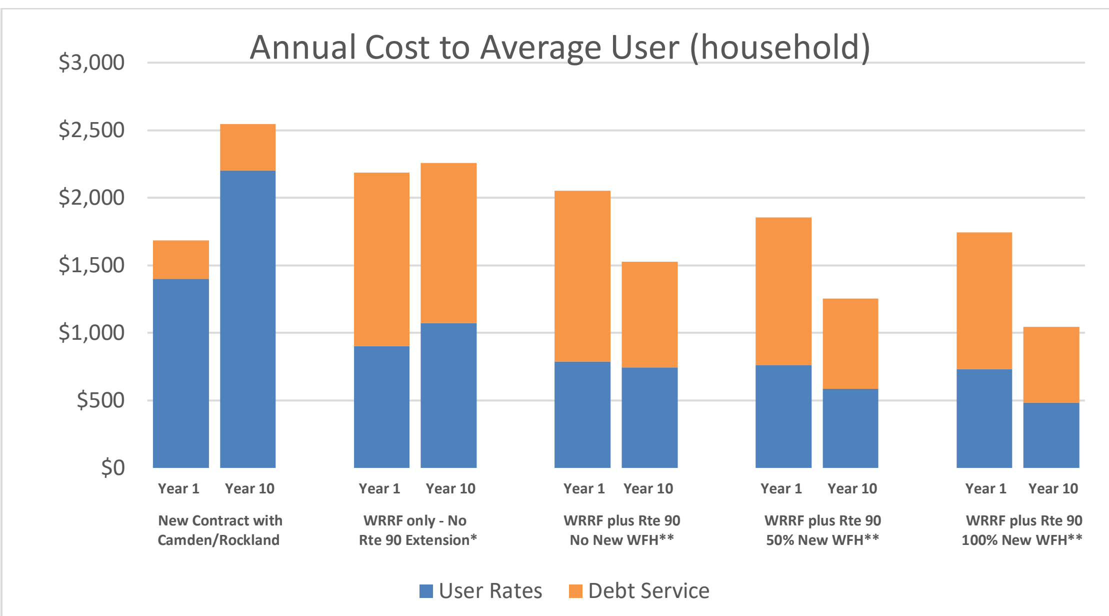
From the models that were provided at the March Select Board meeting, we have adjusted the following information:

- Added annual operating and maintenance costs for the WRRF itself. The prior models had the operating and maintenance costs for the collection system but not the treatment plant.
- Adjusted how the new flow estimates for various Route 90 extension cases were represented in the model. The total flows remained unchanged; however, we estimated a 10% increase over 10 years to gradually absorb the predicted flows into the model, instead of all at once.
- Instead of year 1 in the model being fiscal year ending 2025, we adjusted this to be fiscal year ending 2028, this is to account for nearly two years of design and two years of construction. We escalated all costs to reflect that time shift.
- We adjusted the FTE labor estimate for operating and maintenance (O&M) of the WRRF cases downward from four to three. The previous model assumed the WRRF labor (2 FTEs) and the current O&M for the existing distribution system (currently 2 FTEs) would be additive; however, only three FTEs (and possibly slightly less) are needed to operate both.
- The prior model accounted for no grant funding, this new model accounts for 4-million-dollars in grant funding. This accounts for 2-million that we have already been allocated, and then another 2-million in other grants. We will continue to pursue other grants, which will become easier as we solidify the plan going forward.
- We adjusted the interest rate on the bond from 8% down to 3.5% based on information that we received from USDA.

- We made escalation assumptions in the model for the Camden and Rockland rates. We understand that Camden will be asking voters to approve a 12.5-million-dollar bond on the June 2024 ballot, which apparently includes money to address inflow and infiltration (I&I) issues, plus funding for two line extensions within Camden. This will result in upward pressure on their rates, which have increased at an annual average of 15% since 2019. We also have no information if this will be sufficient to address their I&I issues or whether they will be seeking additional funding in the future, including more significant investment in their plant as well. Based on the age of the plant, it would not be unreasonable to assume that significant investment ($20M to $30M) might be required within the plant over the next 10 years; however, this amount is uncertain.

With the adjustments discussed above, the economics of the project remain favorable. The graph shows the same five cases that have been previously presented to the Select Board:

- New contract with Camden/Rockland
- WRRF only (no Route 90 Extension)
- WRRF plus Route 90 Extension, with no new development out Route 90
- WRRF plus Route 90 and construction of 150 new homes over 10 years
- WRRF plus Route 90 and construction of 300 homes over 10 years



Constructing the WRRF without the Route 90 extension initially results in increasing the annual cost to the average user by about $500. However, by Year 10, there is a $285 annual savings versus a new obtaining a new contract with Camden and Rockland. Including the Route 90 extension with the WRRF (with no workforce housing) increases the cost to an average user by about $366 in Year 1, but by Year 10, there is an annual cost savings of $1,018. Adding workforce housing (WFH) serves to further lower long-term costs to Rockport's users.

As we progress through the project we can update these models to reflect new information. If you have any questions, please let us know.

Thank you!

Megan Brackett
Finance Director