Proposal for shared funding of projects which increase the Plainville water supply.

1. Background

Plainville operates a municipal water system with benefits for all of our residents in two main areas. First and foremost, we supply water to serve the needs of all the customers, in the areas of residential water use, commercial water use, and fire protection. Secondly, the entire town benefits from the tax revenue we receive from our commercial customers. Businesses generally contribute tax revenue at a higher rate than the cost of the services they receive, which helps lower the tax rate for all our residents. It is important to keep in mind both of these major benefits.

Currently, increasing the water production capability of the Plainville water system is important for multiple reasons. We need more capacity to properly operate for our existing customers, both residential and commercial. Secondly by increasing the commercial availability, we can support some additional commercial growth. It is this dual benefit for water expansion which drives our desire to visit how our water system expansions are funded.

2. Goals

Develop a simple strategy for cost allocation for projects which increase water capacity which respects both groups of citizens in town (current water customers as well as all residents of town), with straightforward guidelines on when it would be applied, and an easy to understand rationale for how the costs are apportioned.

3. Things these guidelines will not attempt to cover

First and foremost, this is not an attempt to write a by-law which the town must follow in this regard. It establishes an intention for allocation costs which the Town Meeting body would have the power to vote upon it if it so desired.

Second and equally important, we will accept limitations on the details we will include in this calculation. We won't do a forensic analysis of the value of infrastructure created by the town years ago. We won’t assess past project expenses covered entirely by the town versus past projects funded by the ratepayers. We won't do a complicated analysis of expected commercial growth versus the amount of water increase.

4. Proposal for shared funding

4.1 When would we apply this apportionment ?

This proposal is designed specifically for two projects. We would propose cost sharing for the capital expenses associated with developing a new well. In conjunction with a new well we would expect to expand or update the water treatment plant. We would propose cost sharing all portions of the water treatment plant project associated with increased capacity.

This apportionment is not intended for any other water projects in town, such as a potential well replacement, or water main replacements, or any similar capital projects. Most importantly this apportionment is not intended to be used for any extension of the water system. There is no such expansion planned, and this apportionment is not intended as the opening of such a discussion.

4.2 How do we apportion the costs ?

The calculation would be fairly straightforward. The primary benefit which accrues to all residents of the town could be summarized by taking the percentage of our tax revenue which comes from our commercial base. This portion of the project costs, along with the assigned capital costs for water used by the Town Government and School entities (Town Hall, Public Safety, School, Library, Senior Center) would be shared by all taxpayers in town to reflect that benefit that we all share. The remainder of the project costs would be shared by all water customers (ratepayers) to reflect the benefits of the project which are shared by them.

One important note – fees collected as part of Water Connection and Capacity charges are part of Water Operations, and will be used appropriately on that side of the ledger to defray the share of the capital charges "owed" by the water customers.

4.3 Calculation example

Example – we decide to spend $2,000,000 to build a new well. Our Commercial tax base is 34% of our overall tax base, and we allow 1% for water usage by all municipal entities.

All taxpayer would be responsible for 35%, or $700,000 of the cost of the project. The Town could choose different ways to pay that $700,000. For instance, the town could finance their share with a 10 year note and pay it with transfers from (a healthier) stabilization fund, or pass a debt exclusion override tied to the note and pay for it with a very small tax increase which would go away when note and the exclusion was done.

On the other hand the water customers would have a $1,300,000 share to pay. Normally this would be paid through borrowing tied to the project, but with a smaller amount to start with. We would then also apply connection and capacity fee revenues to help further reduce the overall capital charge to customers. The cost sharing plus the increased capacity and connection fees will help us maintain lower capital charges.

For projects which are funded over several years (imagine a 10 year note for instance), it might be good to revisit the apportionment halfway through the project (especially since such a project may have helped bring more commercial business to town. If it happens, then the town share should rightly be increased).

5. FAQ

5.1 Does this affect how the town pays it portion of the costs ?

This should not preclude the town from choosing various options for how to pay for its portion - direct taxation, override, debt exclusion for the project, use of stabilization funds, or other choices.

5.2 What about calculating other benefits and costs, such as already incurred costs from the town or Water Operations for projects from last year or last decade, increased value of properties who have water available to them, lower insurance or other costs due to the water system, etc., etc., etc. ?

We could develop a laundry list of costs on either side of the balance over which we could argue merits and values, without really coming up with a better measure. I think simplicity is important here. We aren't going to be perfect. Neither extreme is right. Both groups need to be respected.

5.3 Aren't water customers paying twice in this apportionment (both as residents and as customers) ?

Yes. But that reflects that they realize both benefits – they have access to and are customers of the water system, and also receive the benefits of an overall lower tax rate which is supported by the commercial base in town.

5.4 What about the value to non water customers of the water provided to Town Departments – Town Hall, Police, Fire, DPW, Library, Schools ? Does this make non-water customers effectively customers in a secondary sense, and if so, what value does that have ?

Allocating additional share to the "tax payer" portion based on how much water is provide to those systems to cover this.

Revision History

v1.0	12/28/20	Initial draft
v1.1	01/20/21	First public review
v1.2	01/27/21	Updates from comments, example
v1.3	05/25/21	Version for Select Board

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