



STAFF REPORT

AGENDA ITEM #: 16-167
COUNCIL MTG OF: 12/6/2016
FROM: David Caron, Town Administrator
OFFERED BY: Michael Fowler, Public Works Director
PREPARED BY: T. Carrier, Public Works Deputy Director
SUBJECT: Route 28 Water & Sewer Improvements: Phase 1 Contract D:
Brady Ave. Sewer Extension - Supplemental Appropriation:

PURPOSE

The purpose of this document is to provide information to the Town Council to support the extension of public sewer to Brady Ave. and to fund the project through a supplemental appropriation.

TOWN ADMINISTRATOR COMMENTS

I recommend that the Town Council consider approving the supplemental appropriation in order to proceed with the sewer main extension in 2017 to coincide with other construction activity by Pennichuck Water Works.

BACKGROUND

The Derry Sewer Facilities Plan identifies the area known as Sunset Acres/Maple Hills as in need of public sewer due to the density of the residential development, the age of the existing septic systems and the nature of the soils in the area not being suited to properly support new septic systems. This area includes Brady Ave. which is located just off of Rockingham Rd. The DPW will be reconstructing Brady Ave. in 2017. Pennichuck Water Works will be replacing and upgrading their water mains prior to the roadwork. At the Council's 11/1/2016 meeting, they directed a survey of the residents to assess their support for public sewer service.

DISCUSSION

The proposed project includes +/- 3,500 feet of sewer pipe to service 50 properties. The owners of those properties were sent surveys. The results are attached. Of the 37 responses received 72% were in favor. The survey estimated a property assessment of \$3,000 for a new sewer service to be located at each resident's property line. Residents were advised that if their septic system was older than 1985 they would be required to connect to the new sewer at their additional expense. We expect 30 properties will fall into this category (7 who are opposed and 14 who are in favor of the project and 9 who did not respond).

FISCAL IMPACT

The project, if approved, would be a change order to the Route 28 Water & Sewer Improvements Phase 1 Contract with American Excavating and designed and inspected by the project engineers, Underwood Engineering. The total project estimate is \$562,000. There is an estimated surplus of \$75,000 remaining in the Route 28 Contract A project which would leave a balance of \$487,000 to be appropriated.

Staff recommends a five (5) year loan by the General Fund (undesignated fund balance) to the Sewer Fund at 3% annual interest. This is comparable to the 2% rate offered by the NH State Revolving Loan Fund. This would net an annual payment of \$106,000.

Cost recovery: Based on a cost of \$562,000 and in accordance with the Town's Sewer Betterment Policy, each property would be assessed \$2,810 ($\$562,000/50$ properties X 25%). Properties would be able to finance their assessment over 5 years at 3%. Assuming 30 properties are required to connect within the first year and finance their assessment, this would generate annual revenue of \$18,180. The balance of \$87,820 ($\$106,000$ less \$18,180) would be recovered through a general sewer user rates increase of \$0.25 per 100 cubic feet. (See Sewer User Rate Increase Staff Report for details on this impact.)

At the end of the 5 years the general fund would see \$43,000 in interest revenue. The Sewer fund would see additional sewer user charge revenues of +/- \$10,000 per year.

Once the general fund is repaid in full, the revenue generated by the rate increase could continue to be used for future sewer capital improvements.

RECOMMENDED ACTION BY COUNCIL

It is recommended that the Council approve the extension of public sewer to Brady Ave and approve a supplemental appropriation of \$487,000 from the general fund undesignated fund balance and "loan" that amount to the sewer fund which shall repay the loan over a period of 5 years at 3% annual interest.

RECOMMENDED MOTION

See attached RESOLUTION.



RESOLUTION

Brady Ave Sewer

The Derry Town Council hereby approves the following supplemental appropriation and adopts the following capital cost recovery method for the Brady Ave. Sewer Project.

WHEREAS: the Sunset Acres/Maple Hills area which includes Brady Ave. is shown to have groupings of lots 1 acre or less with soils classified as having moderate limitations or unsuitable to support on-site sewage disposal system replacements and;

WHEREAS: the Adopted Derry Wastewater Facilities Plan includes the extension of municipal sewer to the Sunset Acres/Maple Hills area and that the extension of municipal sewer service to Brady Ave. is consistent with this plan and;

WHEREAS: the 2014 Route 28 Water and Sewer Improvements Project Phase 1 has a remaining wastewater appropriation balance of \$75,000, the purpose of which is consistent with the extension of sewer to Brady Ave. and therefore may be used for this project, and;

WHEREAS: the Derry General Fund's undesignated fund balance has sufficient funds to fund the \$487,000 balance of the Brady Ave. project cost;

Be it RESOLVED by the Derry Town Council that it is in the interest of public convenience and health that common sewers be constructed on Brady Ave.

Further RESOLVED by the Town Council acting in their capacity as Sewer Commissioners, that pursuant to Article 8 of the Derry Sewer Use Ordinance and Section 7 of Chapter 149-I of the New Hampshire Revised Statutes Annotated, and the Derry Municipal Sewer Betterment policy dated June 5, 2007, upon the completion of construction of the Brady Ave. sewer and issuance of a Notice of Availability to each abutting property, assessments will be made against each property which is served by said sewers as follows: \$2,810 per residential property which becomes due upon connection of the property to the sewers and that payment of the \$2,810 assessment be made in full or over a period of 5 years at 3% interest in accordance with the Derry Municipal Sewer Betterment Policy and that in the event of the sale of the assessed property the balance of the assessment shall be paid in full.

Further RESOLVED by the Town Council that a Supplemental Appropriation of \$487,000.00 from the general fund undesignated fund balance to the Rockingham Road Water and Sewer Project Phase 1 is hereby approved to construct the Brady Ave. sewer extension and that \$487,000 shall be repaid by the sewer fund to the general fund in 5 annual payments at an annual interest rate of 3%.

Brian Chirichiello, Chairperson

Richard P. Tripp, Councilor District #1

Charles Foote, Councilor District #2

David Fischer, Councilor District #3

Phyllis Katsakioras, Council at Large

James Morgan, Councilor at Large

Joshua Bourdon, Councilor at Large

Received and recorded _____, 2016, _____