



STAFF REPORT

AGENDA ITEMS #: #21-92
COUNCIL MTG OF: July 20, 2021
FROM: David Caron, Town Administrator
OFFERED BY: Administration
PREPARED BY: Administration
SUBJECT: Creation of the Derry Economic Development Expendable Trust Fund.

PURPOSE: To request Town Council creation of the Derry Economic Development Expendable Trust Fund to hold and invest no more than 50% of water wheeling revenues associated with Southern New Hampshire Regional Water Interconnection Project into economic development purposes.

TOWN ADMINISTRATOR COMMENTS: Council support for Resolution #2021-048 would create a vehicle by which a portion of funds accruing to the Town can be repurposed for economic development purposes under legislation passed in 2021 and signed into law by the Governor.

BACKGROUND:

The State Legislature recently passed SB87, which was signed into law by the Governor on July 1, 2021. Part I of that law was introduced by Senator Birdsell specifically for Derry to allow no more than 50% of the wheeling charges received for participating in the Southern New Hampshire Regional Water Interconnection Project to be repurposed for economic development purposes. Those purposes include:

- (a) Purposes set forth in RSA 38:28 (operation of a municipal water system).
- (b) For the acquisition, construction, payment of the interest on any debt incurred, management, maintenance, operation, and repair of sewer systems, or construction, enlargement, or improvement of such systems.
- (c) Capital reserve funds of the water or sewer system.
- (d) For the expansion or replacement of natural gas lines or systems, by a municipal gas system or gas provider regulated by the public utilities commission.
- (e) For the purposes set forth in RSA 162-G:4, which is the Industrial Development Statute.
- (f) For the purposes set forth in RSA 162-K:6, III and RSA 162-K:8, which is the Tax Increment Financing District statute.

The latter two purposes provide the Town with wide latitude to promote economic development, including purchase of public and private property for redevelopment; investment into public facilities; lease back arrangements; bond issuances, etc.

Resolution #2021-048 would create a fund into which wheeling revenues would be deposited and held for economic development investments and expenditures.

DISCUSSION:

Previous to the passage of this legislation, all revenues accrued exclusively to the water fund. Effective August 30, 2021, the Town can designate no more than 50% of wheeling revenues to this fund, after which the Town Council as Agents to Expend can reinvest these funds into a wide array of economic development activities.

This legislation was developed after the Council expressed concern that its participation in the Regional Water Project would share one of its most important economic development tools, the municipal water system. Now, revenues will be available to allow the Town to initiate programs and projects to further grow the Town's economy.

FISCAL IMPACT:

The Town receives \$1.00 per hundred cubic feet of water which passes through the Town; the current Intermunicipal Agreement requires the purchase of 1.0 million gallons per day, which will generate approximately \$487K per year to Derry. Of that amount, at least 50% will be retained by the Water Division for operation and maintenance expenses associated with water delivery under this agreement (currently guesstimated at 30% of revenues with 20% accruing to the Water Fund).

Phase II should commence in the next few years, which will make available approximately 3.1 MGD to the communities south of Derry, resulting in annual gross revenues of \$1.51M; approximately \$750K may be available for economic development purposes.

RECOMMENDED MOTION:

Please see Resolutions 2021-047 (Please read Resolution).

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