

TOWN OF COVENTRY SEWER PROGRAM FINANCES PRESENTATION 10/16/17



Town of Coventry
Sewer Finances Discussion
October 16, 2017

- Sewer Program began in 2004 via the following funding sources
 - \$6,000,000 Immunex (Now Amgen) Grant
 - \$6,000,000 Tax Anticipation Note (TAN)
 - \$3,400,000 State Economic Development Corporation (EDC) Loan

- The Town has expanded the Program by securing the following Loans:
 - \$3,205,000 2006 RICWFA Loan
 - \$5,000,000 2007 RICWFA Loan
 - \$2,896,000 2009 RICWFA Loan
 - \$2,400,000 2012 RICWFA Loan
 - \$2,400,000 2013 RICWFA Loan
 - \$8,185,000 2013 Wells Fargo Conduit Loan (Retired EDC & TAN)
 - \$1,200,000 2017 All-American Financing Loan

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- The Town also has annual loan obligations to the Town of West Warwick as governed by the Intermunicipal Agreement between the two Towns for sewer services:
 - 2003 WW Wastewater Facility Upgrades; \$20,923,000
 - Coventry`s share: 22.20%
 - 2004 WW Upper Masie Quinn Interceptor Upgrade Project; \$3,000,000
 - Coventry`s share: 27.39%
 - 2005 WW Lower Masie Quinn Pump Station & Force Main Project; \$7,719,340
 - Coventry`s share: 27.39%
 - 2006 WW Upper Masie Quinn Interceptor Upgrade Project Additional Funding; \$500,000
 - Coventry`s share: 27.39%

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- 2007 WW Clyde Interceptor Project; \$1,675,000
 - Coventry`s share: 44.20%
- 2015 WW Phosphorus Removal Upgrade Project; \$12,500,000
 - Coventry`s share: 21.38%
- FY18 Debt Service will be \$2,593,369
 - Up until FY12, Realized Revenues were sufficient to pay debt service and other expenses without any impact to fund balance
 - Since FY12, Fund Balance has trended downward as noted below:
 - FY10: \$3,971,666 FY11: \$4,728,057
 - FY12: \$5,417,208 FY13: \$3,311,390
 - FY14: \$4,290,475 FY15: \$3,921,548
 - FY16: \$1,482,809 FY17: \$2,450,509 (Pre-Audit)
 - Source: Annual audited financial statements, except where noted

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- Per the Trust Indenture between the Town of Coventry and Wells Fargo Bank, the annual fund balance must be at least 125% of Coventry-issued annual debt-service
- For FY16, fund balance was only 106% of the annual Coventry-issued debt service
- For FY17, the pre-audit fund balance is 167% of the annual Coventry-issued debt service

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- Reasons for the downward trend in Fund Balance are as follows:
 - 2012 RICWFA loan
 - Annual debt service > Assessments billed by approximately \$47,408 (Some of those previously billed paid in full)
 - 2013 RICWFA loan
 - Annual debt service > Assessments (None currently billed) \$160,166
 - 2013 TAN converted to Bond
 - Paying principal and interest instead of just interest \$363,988
 - 2015 WW Phosphorous Upgrade Bond
 - \$187,440
 - 2016 Prior Period Adjustment
 - Change in Construction in Progress \$1,407,669

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- Prior to the Town Council`s vote this evening to reevaluate the sewer program, the following actions were to be utilized to improve the health of the Sewer Program`s fund balance:
 - Mandate physical hookups for all prior and future projects
 - Construct sewers using the unused \$2.2M 2013 RICWFA loan
 - Sewer Arnold Rd South (Stays dry until Contract 9 completed)
 - Sewer Briar Point area (Contract 9), then make Arnold Rd South active

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- Current options that could be considered to improve the financial health of the Sewer Program are as follows:
 - Continue construction in neighborhoods that want sewers
 - Inquire about restructuring existing debt
 - Revenue Anticipation Notes (If fund balance stayed below the previously mentioned 125%)
 - General Fund pays a portion of Sewer Fund debt service; with voter approval at FTM. (If fund balance stayed below the previously mentioned 125%)

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