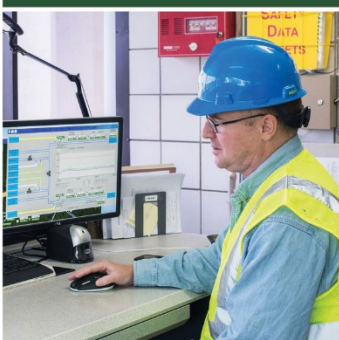




**FY 2022
PROPOSED
BUDGET**



**City Council
Presentation
May 21, 2021**

Who We Are

- Independent, public, regional utility established in 1996
- Governed by a three-member Board of Commissioners appointed by City of Springfield mayor and approved by City Council
- Operate and maintain the largest water and wastewater system in Western Massachusetts
- Provide retail, wholesale, and peak/emergency water and sewer service to 10 communities

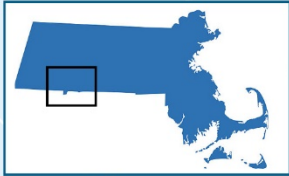


From left to right: Commissioner William Leonard, Commissioner Vanessa Otero, and FY21 Chairman Daniel Rodriguez



System Map

Major System Components



Little River Watershed
17,485 Acres Total

Borden Brook Reservoir
Primary Water Supply
2.2 Billion Gallon Capacity

Cobble Mountain Reservoir
Primary Water Supply
22.5 Billion Gallon Capacity

Southwick
- Wholesale Water

West Parish Filters Water Treatment Plant
Westfield
100 Million Gallon / Day Capacity

Westfield
- Peak Emergency Water

Provin Mountain
Water Storage Facility
60 Million Gallon Capacity

West Springfield
- Peak Emergency Water
- Wholesale Wastewater

Agawam
- Wholesale Water
- Wholesale Wastewater

Longmeadow
- Wholesale Water
- Wholesale Wastewater

Springfield Regional Wastewater Treatment Facility

Agawam
67 Million Gallon / Day Capacity

Chicopee
- Peak Emergency Water

Ludlow
- Retail Water
- 80 Miles of Water Distribution Pipe
- Wholesale Wastewater

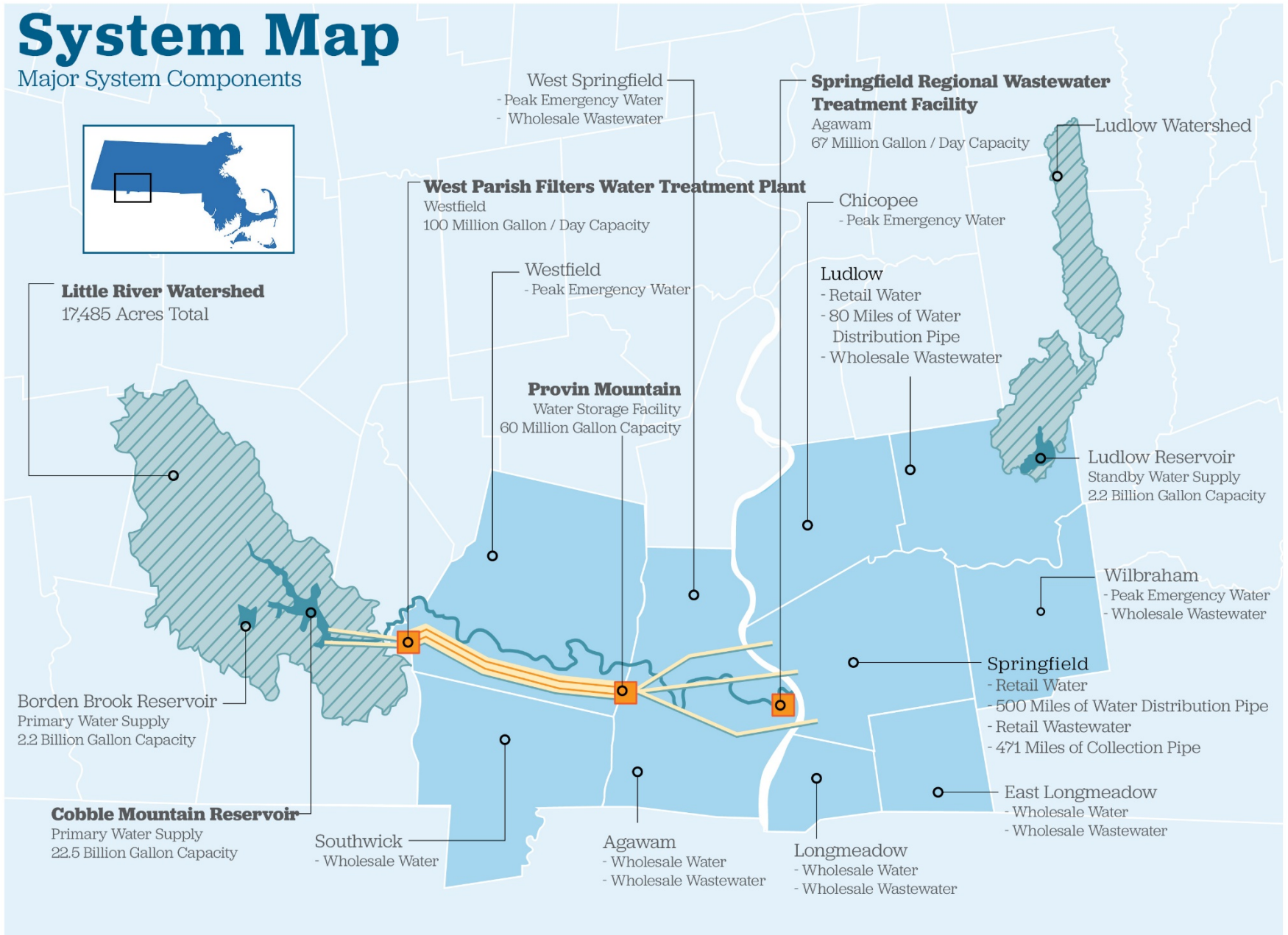
Ludlow Reservoir
Standby Water Supply
2.2 Billion Gallon Capacity

Wilbraham
- Peak Emergency Water
- Wholesale Wastewater

Springfield
- Retail Water
- 500 Miles of Water Distribution Pipe
- Retail Wastewater
- 471 Miles of Collection Pipe

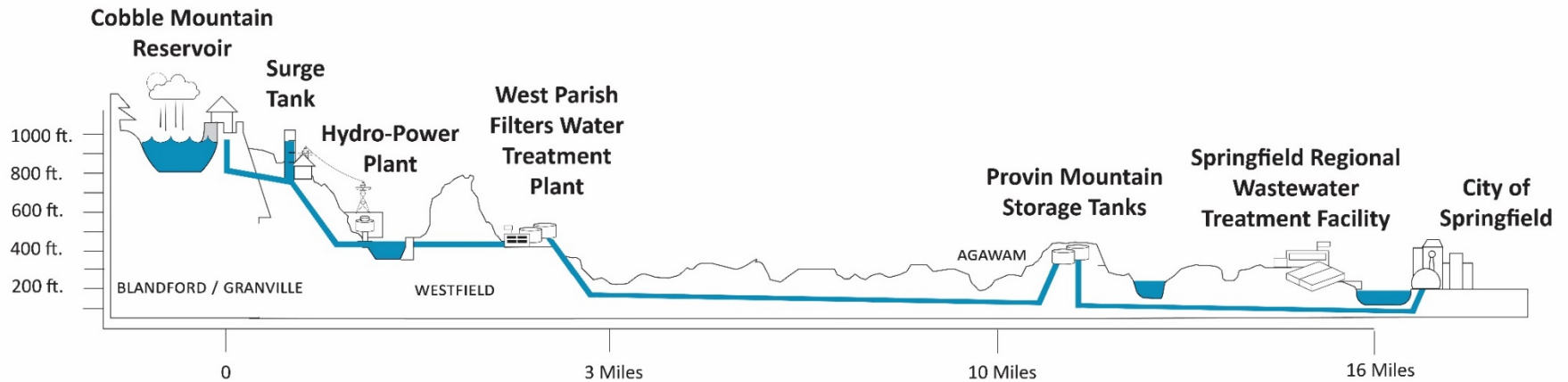
East Longmeadow
- Wholesale Water
- Wholesale Wastewater

Ludlow Watershed



What We Do

Infrastructure Spanning Seven Communities



- 18,000 acres water supply forest
- 3 reservoirs
- 2 treatment plants
- 1 power plant
- 579 miles of water pipe
- 473 miles of sewer pipe
- 6,210 hydrants
- 19,742 valves
- 11,448 manholes
- 5 water pump stations
- 27 sewer pump stations
- 23 combined sewer overflows



What We Do

Deliver Safe, Clean Water to 250,000 People

- **Safe Drinking Water Act**

- 90 Regulated Contaminants
- Stage 2 Disinfection Byproduct Rule
- Long-Term Enhanced Surface Water Treatment
- Lead & Copper Rule
- Total Coliform Rule
- Unregulated Contaminant Monitoring
- Contaminant Candidate List

- **DEP**

- Water Management Act
- PFAS Limits
- Source Water Protection

- **Homeland Security/EPA/FEMA**

- Risk & Resilience Assessments
- Emergency Preparedness
- Natural Hazard Mitigation
- Cybersecurity



- **Clean Water Act**

- NPDES Permit for Drinking Water Plant
- NPDES Permit for Wastewater Plant
- Biosolids regulations
- CSO Administrative Order
- CSO Notification
- Nutrient Removal
- CMOM requirements

- **EPA/DEP/ACE**

- Endangered Species Act
- Wetlands Protection Act
- NHESP
- Section 404
- Dam/Levee Maintenance
- PFAS (TBA)
- CSO Notification

Annual Budget Process

How We Plan for Each Year

Step 1: Develop Annual Spending Budget

- Operations & Maintenance
- Capital projects (20 years out)
- Current and projected debt service

Step 2: Forecast Annual Revenues

- Based on past consumption trends

Step 3: Identify Gaps in Budget vs. Projected Revenues

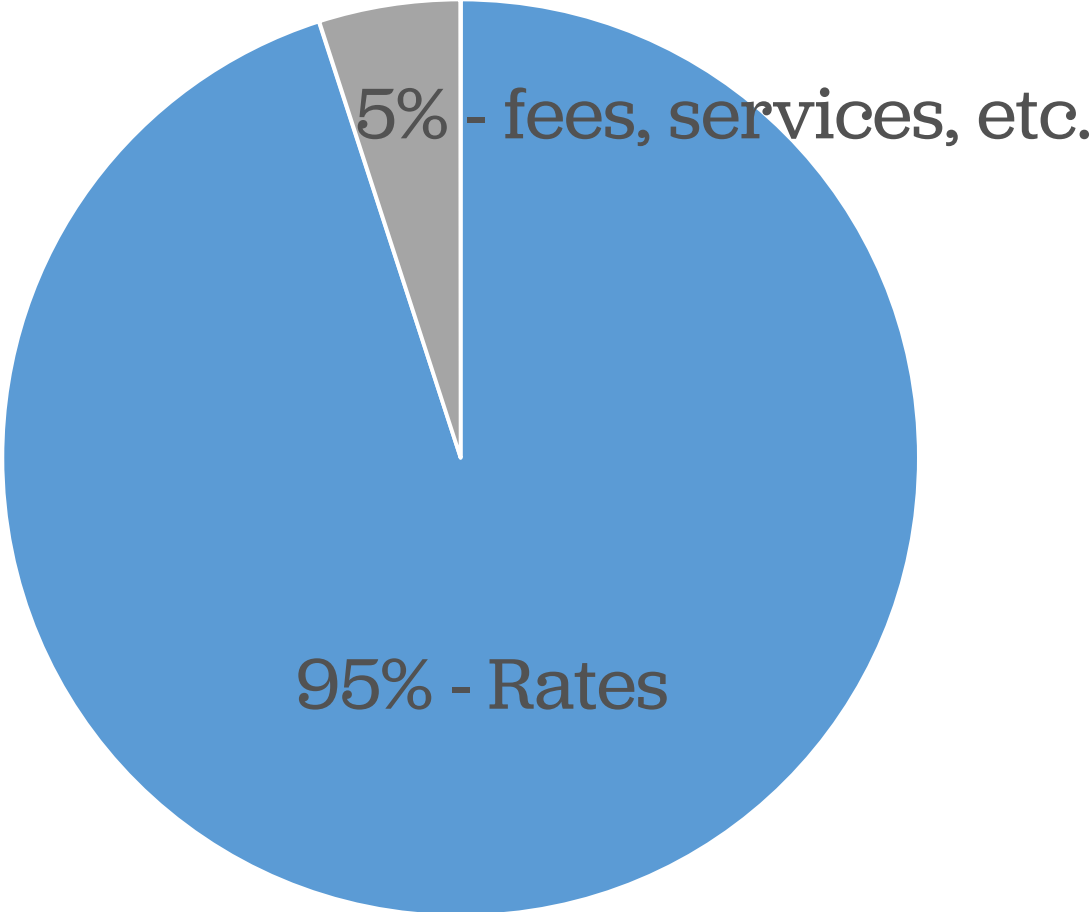
- Maintain target debt service coverage ratios
- Maintain required reserves and adequate working capital

Step 4: Establish Rates Accordingly



Revenue Sources

By Type

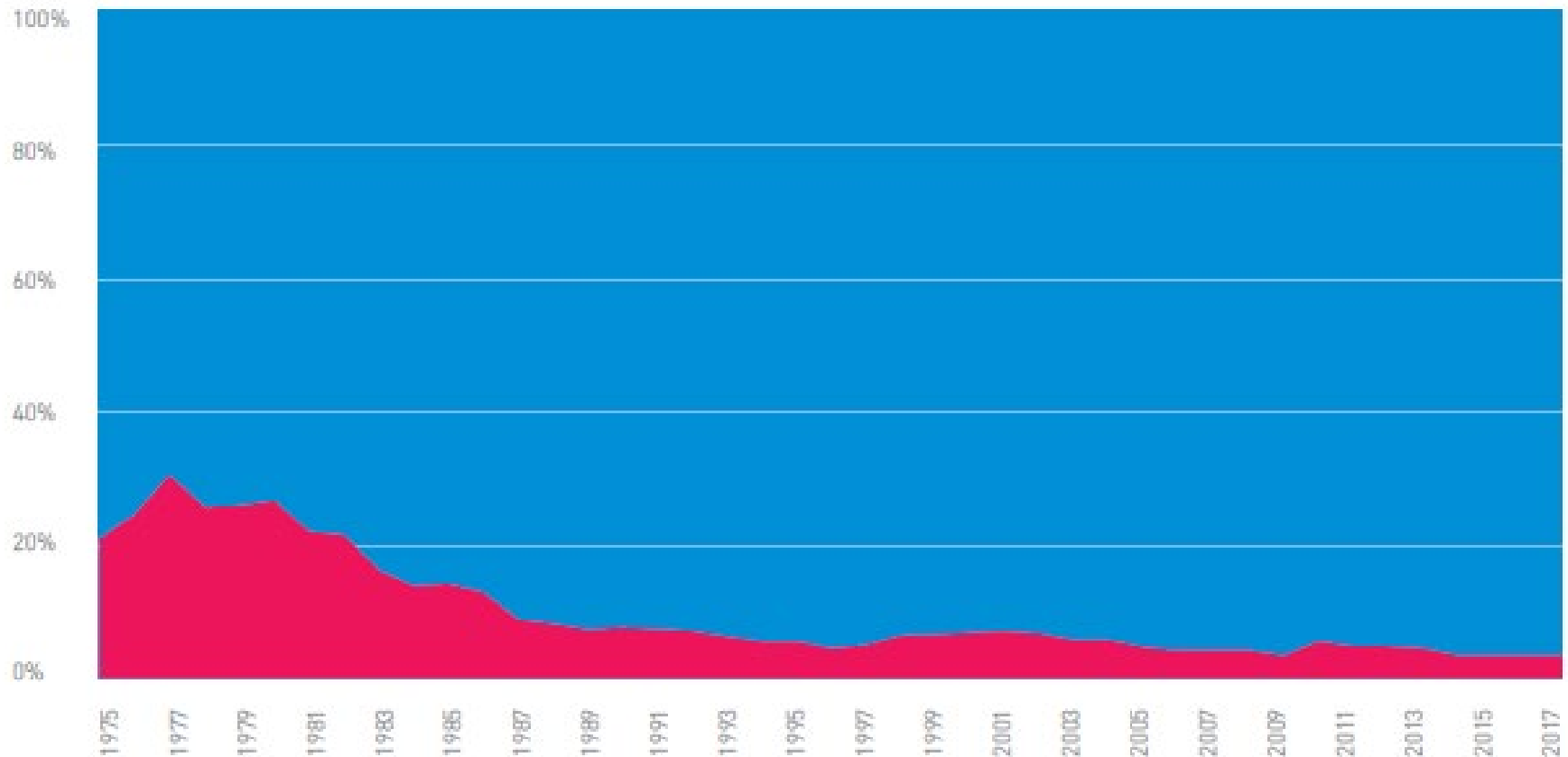


Funding Sources

Decline of Federal Funding

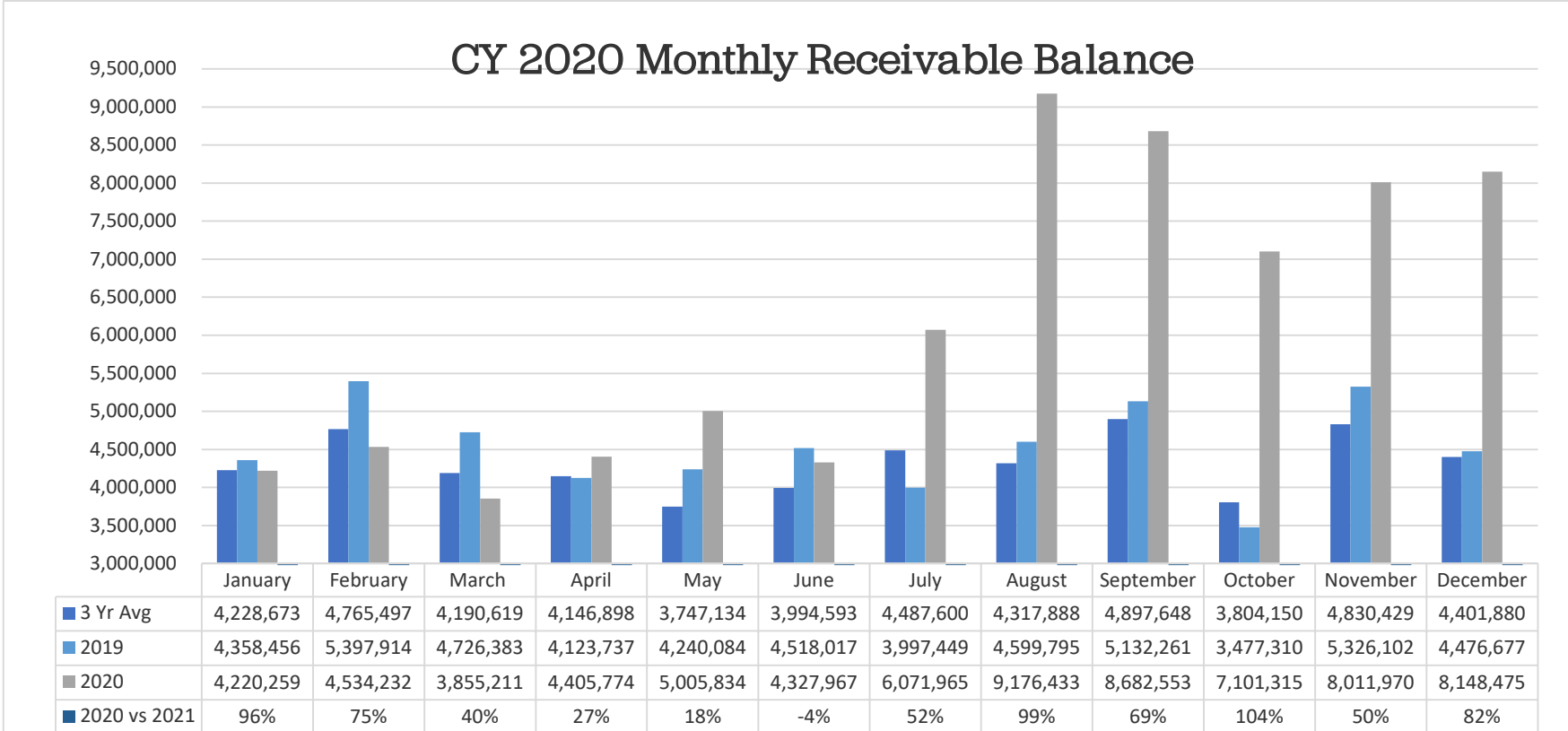
Federal vs. State and Local Share of Water Capital Investment: 1975–2017²⁵

■ State and local share ■ Federal share



Impact of Pandemic

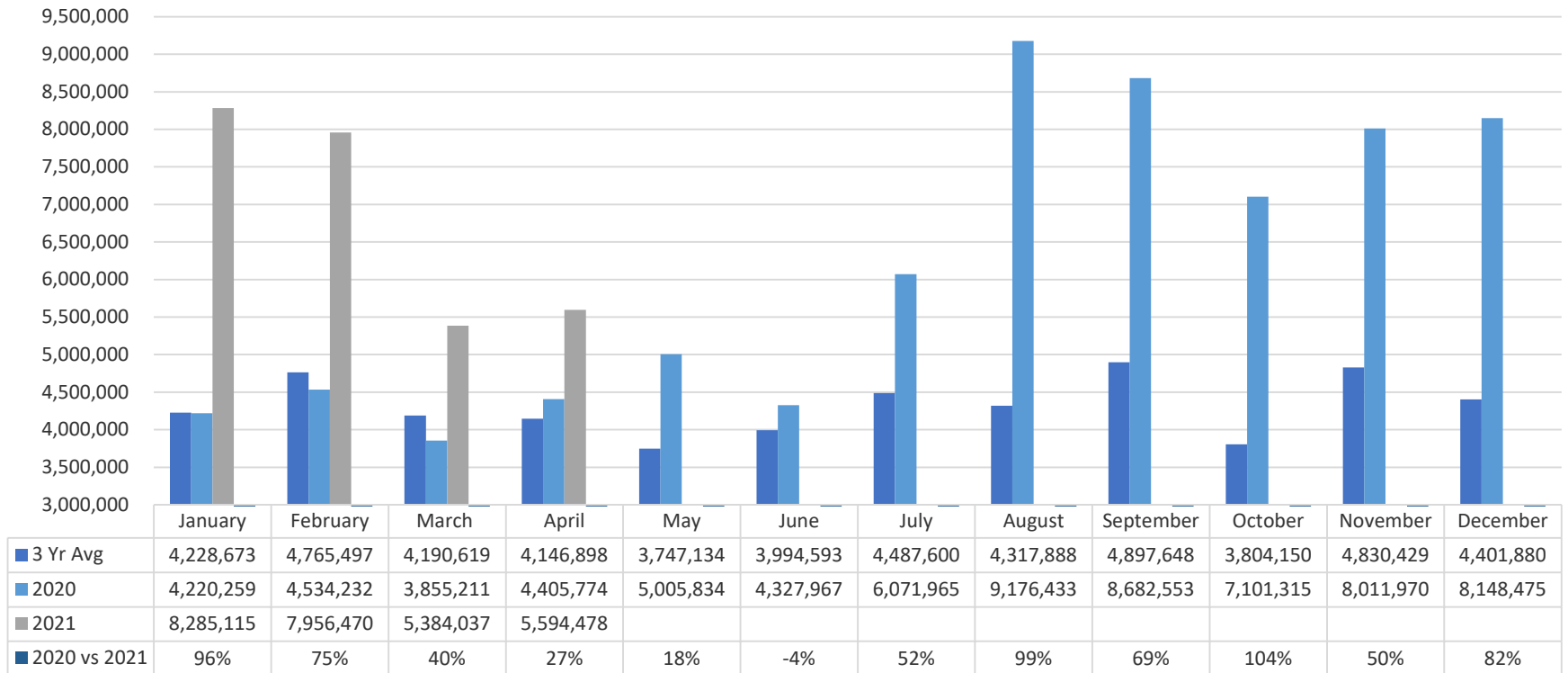
Higher outstanding receivables – 2020



Impact of Pandemic

Higher outstanding receivables – 2021

CY 2021 Monthly Receivable Balance



Customer Assistance Programs

Payment Plans

- Traditional (outstanding + current over scheduled time period)
- Equal Installment (fixed amount on scheduled dates)

Customer Assistance Program (CAP)

- Supports low-income, single-family homeowners with SWSC water and/or sewer accounts
- One-time, annual account credit of \$125, utilizing LIHEAP eligibility

Senior, Disabled, Disabled Veteran Discounts

- Annual discount of \$75 (administered as \$6.25 monthly credit)

Leak Surveys & Adjustments

- Provide 1 free in-home leak survey to residential customers
- One-time leak abatements up to \$500

Federal Customer Assistance

Emergency Water and Wastewater Assistance

- Consolidated Appropriations Act of 2021 - \$638M (nationwide)
- American Rescue Plan Act of 2021 - \$500M (nationwide)
- Emergency assistance to low-income households for water/sewer bills
- Likely to be administered through state LIHEAP agencies
- *Commission in active discussions with MA DHCD about how to facilitate/expedite dispersal of funding*

Unprecedented Need for Investment

Converging Factors

- Aging infrastructure
- Unfunded state/federal mandates
- Advancing regulations
- System reliability
- Climate change resiliency
- Cybersecurity

MarketWatch Latest Coronavirus Watchlist Markets Investing Barron's Personal Finance Economy Retirement

The Tell

Climate change means public utilities will need billions in upgrades over the next decade, report says

Last Updated: May 12, 2021 at 6:05 a.m. ET

First Published: May 11, 2021 at 1:23 p.m. ET

By [Andrea Riquier](#)

3

Climate change models may not capture the full extent of the uncertainty: witness the Texas winter storms



“...utility systems are depreciating faster than they are receiving needed investment.”



Innovative Financing

Unprecedented State and Federal Loans

Water Infrastructure Finance and Innovation Act (WIFIA)

- \$251 million Secured in FY21 for 31 FY22 - FY26 Projects
- SWSC match of \$296 million = **\$547M in system investment**
- Administered by EPA; flexible repayment terms
- Extremely competitive program – ONLY utility in MA to receive

Drinking Water and Clean Water State Revolving Fund

- \$47 million secured in FY21 for three FY22 Projects
- Administered by MassDEP
- Competitive, low-interest, 20-year loan with some principal forgiveness
- \$12 million in savings from amendment to SWSC bond resolution



Innovative Financing

What This Means for Ratepayers

- ✓ **Significant savings in borrowing costs**
 - \$20M over 20 years (SRF) + some principal forgiveness
 - \$60M over 30 years (WIFIA)
 - Reduces pressure on future rate increases

- ✓ **Accelerated project schedule (WIFIA)**
 - Compresses 20-year capital plan into 5 years
 - Consistent regulatory compliance
 - Better reliability & resiliency, sooner

- ✓ **Flexible repayment terms (WIFIA)**
 - Can shape terms of repayment schedule
 - Still eligible for new direct federal or state grants if established
 - Retain ability to respond to future conditions



West Parish Filters Facility Improvements

Design & Construction

\$167,640,000

- **New treatment processes to meet modern drinking water standards**
 - 80 million gallon dissolved air flotation clarification facility will eliminate HAA5
 - Upgrades to existing 1974 rapid sand filters
 - Construction of additional rapid sand filters
 - Elimination of 1920s slow sand filters



- ✓ ***Elimination of current regulatory compliance issues***
- ✓ ***More efficient, modern treatment operations***
- ✓ ***Resilience to fluctuations in raw water quality***



Raw Water Conveyance

Repair, Design & Construction

\$4,975,900

- **Provides redundancy to raw water conveyance system**
 - Replacement of 42" valve due to failure
 - Pipeline joint repairs and replacement
 - Modifies existing hydraulic structure



- ✓ ***Increases system redundancy & resiliency***
- ✓ ***Restores failing infrastructure***



Biological Nutrient Removal Upgrade

Design & Construction

\$25,891,351

- **Upgrades removal process for nitrogen & phosphorus**
 - Replaces gates, valves, structures
 - Reconfigures electronic system
 - Upgrades aeration system
 - Installs latest technology



- ✓ ***Responds to evolving EPA regulations***
- ✓ ***Renews end-of-life infrastructure***
- ✓ ***Increases treatment efficiency & effectiveness***



Distribution & Collection System Renewal

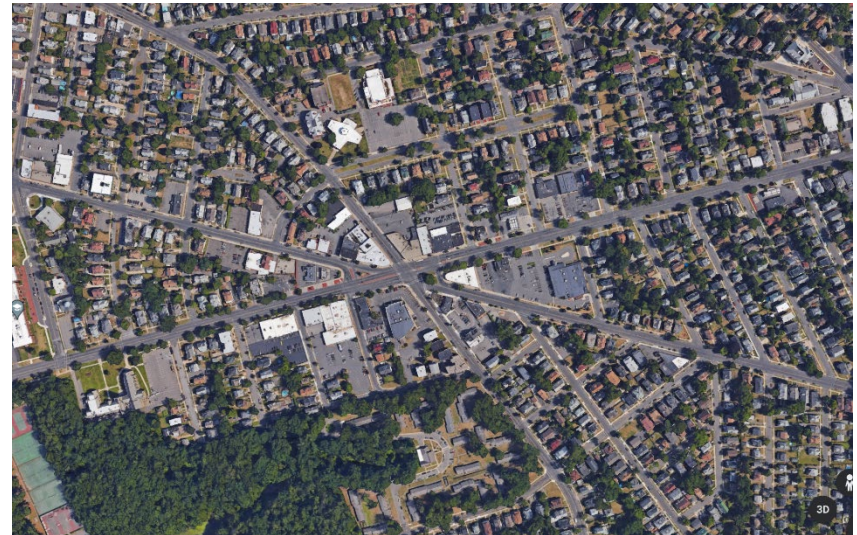
Design & Construction

\$3,217,500 – Cleaning, Assessment & Design

\$36,870,000 – Rehabilitation

- **Funded annually for water distribution upgrades**
 - Evaluations, planning, surveys & design
 - FY22 includes pilot pipe joint & leak detection program
 - Rehabilitation funds are annually recurring
 - Annual main rehabilitations prioritized based on assessments

- ✓ ***Replaces end-of-life infrastructure***
- ✓ ***Prioritizes funding***
- ✓ ***Improves system reliability***



WIFIA

Why This is a Good Deal

Condition	FY22	FY23	FY24	FY25	FY26	FY27
Rate increase <u>without</u> WIFIA	9.5%	9.5%	9.5%	9.5%	9%	9%
Debt Portion of Required Revenue	23.6%	24.9%	28.6%	32.7%	34.9%	34%
Condition	FY22	FY23	FY24	FY25	FY26	FY27
Rate increase <u>with</u> WIFIA	5.9%	6.75%	6.5%	6%	5%	4.5%
Debt Portion of Required Revenue	23.4%	26.2%	28.1%	30.8%	32.1%	29.5%
Difference in rate increase	-3.6%	-2.75%	-3%	-3.5%	-4%	-4.5%

- Reduction of 33% in FY22 rate increase



Financial Planning

Key to Rate Stability

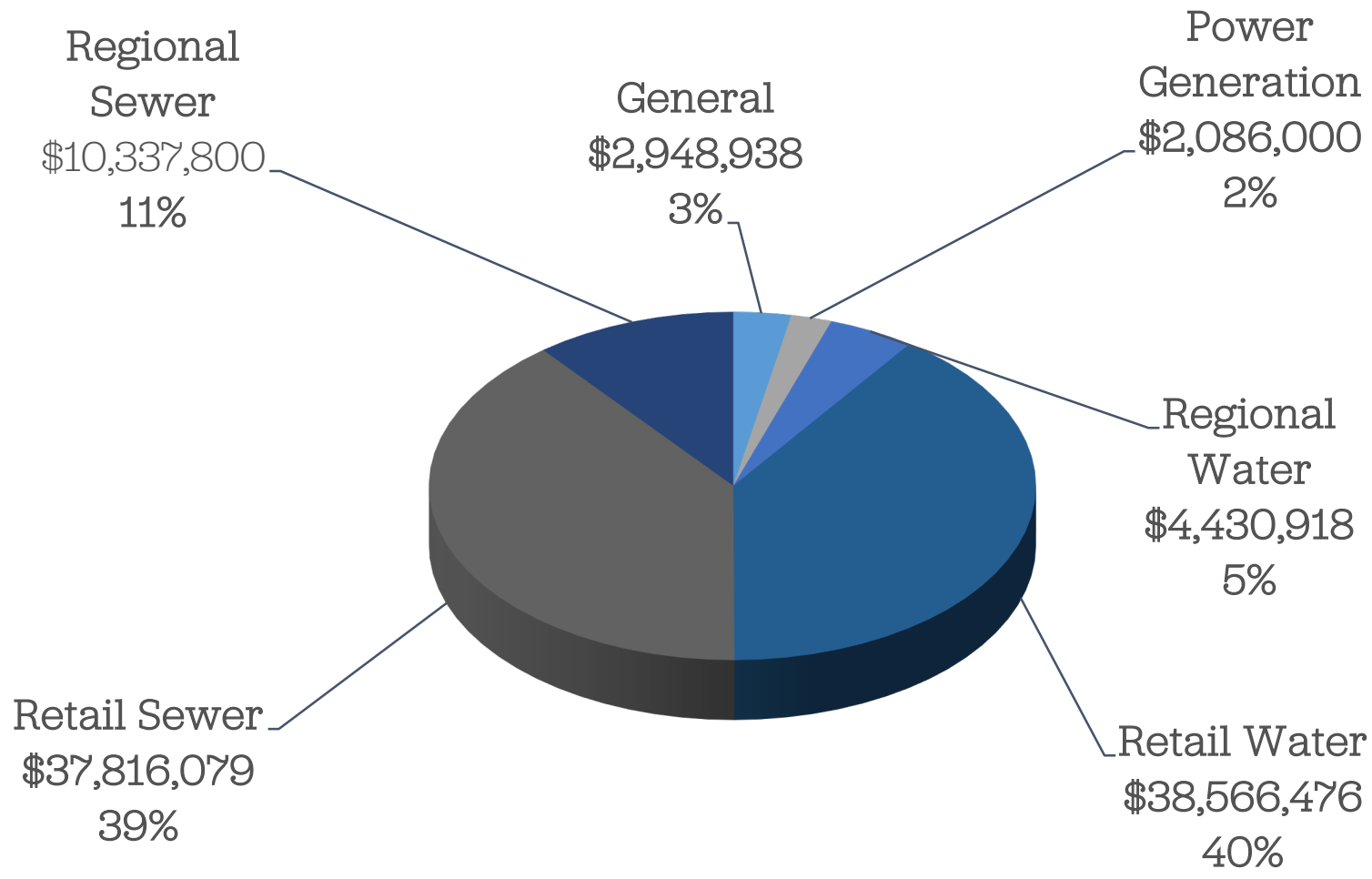
- **Sound Financial Policies and Practices Provide:**
 - ✓ Budget discipline
 - ✓ Controlled flexibility for the unexpected
 - ✓ Strong financial rating
 - ✓ Reduced borrowing costs & competitiveness for limited resources
- **Proactive project planning ensures:**
 - ✓ Maximized ratepayer dollars
- **Unprecedented Investment Anticipates:**
 - ✓ Aging or failing infrastructure
 - ✓ New regulations
 - ✓ 21st century challenges - climate change + cybersecurity



Needed Revenues for FY22

What it Costs to Deliver Water and Sewer Services

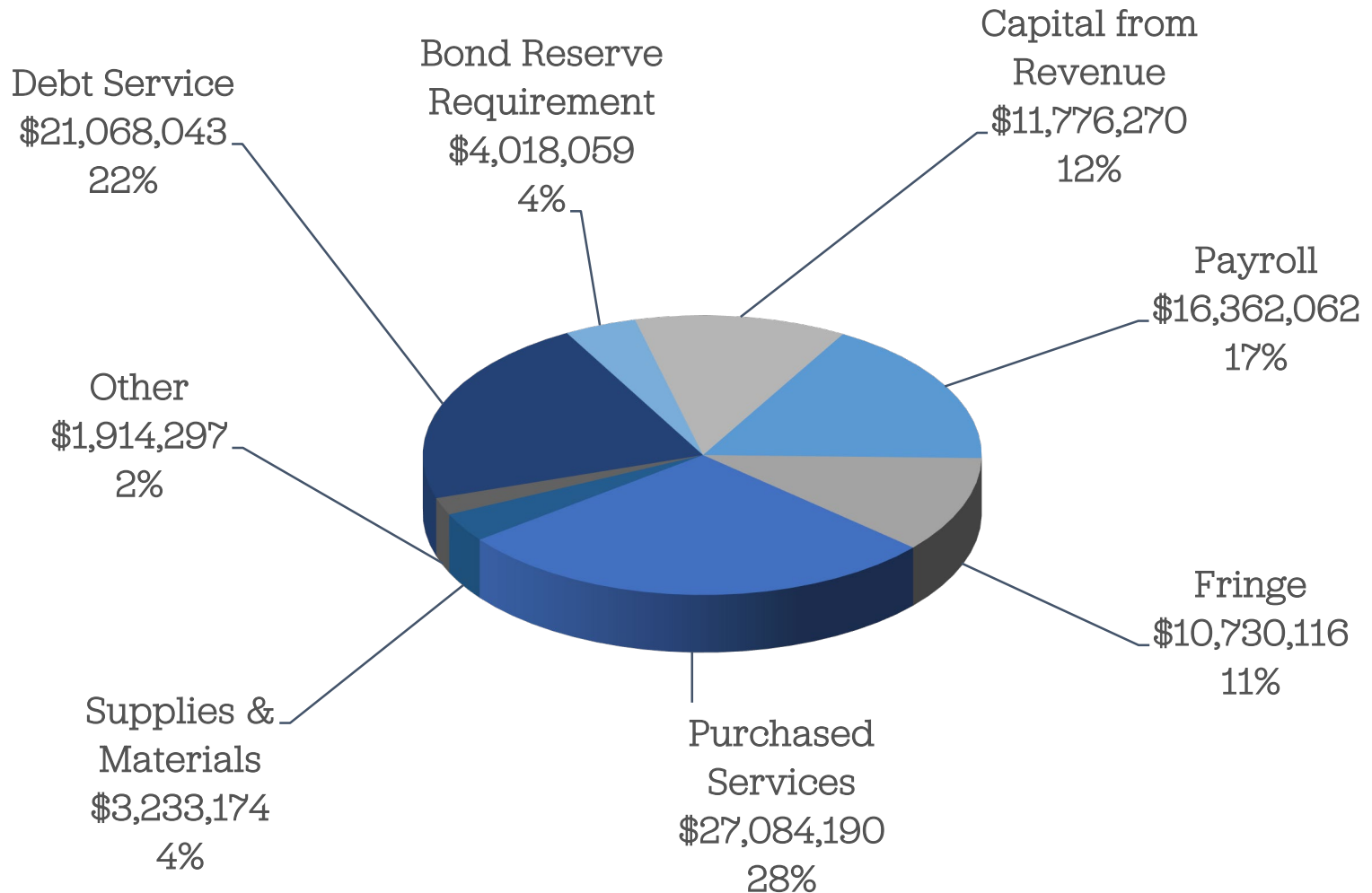
Estimate - \$96,186,211



Total Spending by Category

Where Your Rates Go

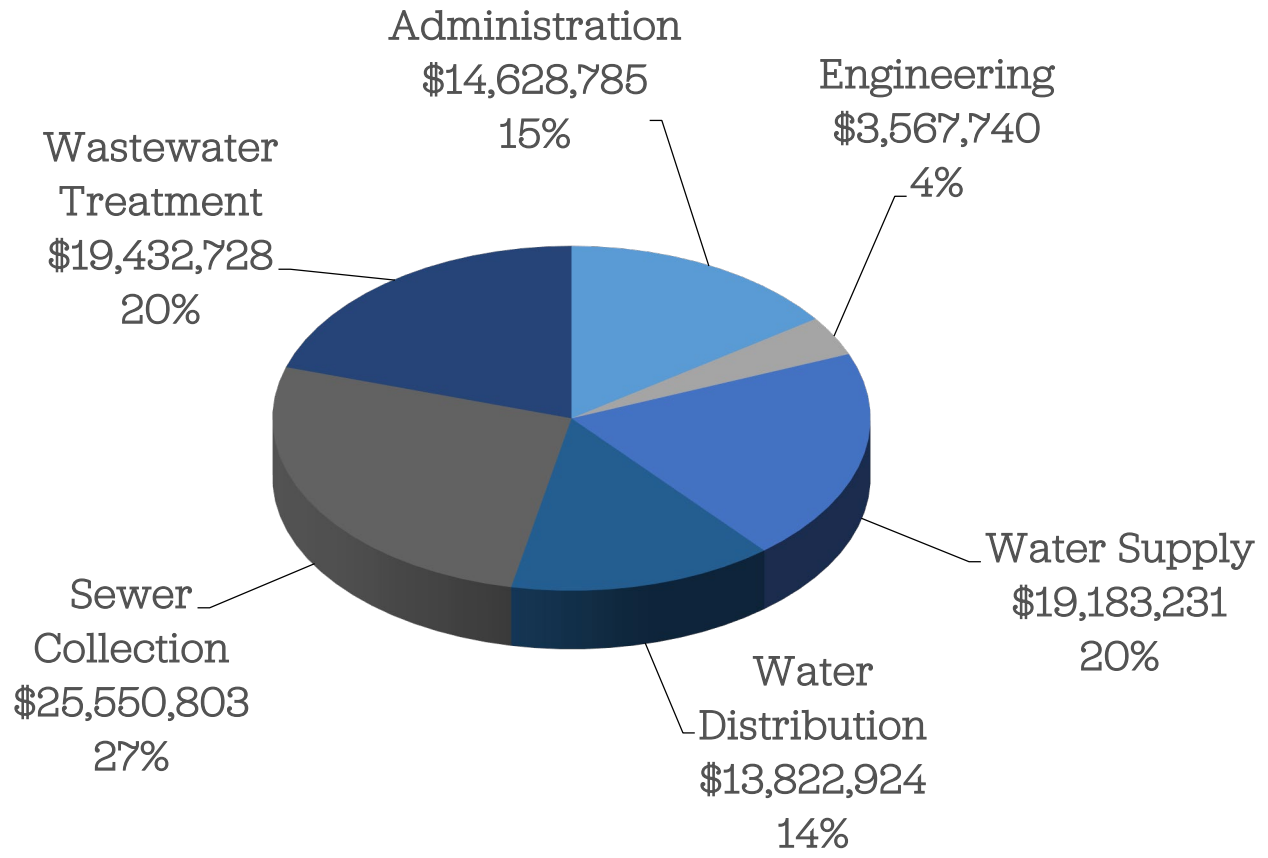
Budget - \$96,186,211



Total Spending by Function

How Your Rates Are Spent

Budget - \$96,186,211

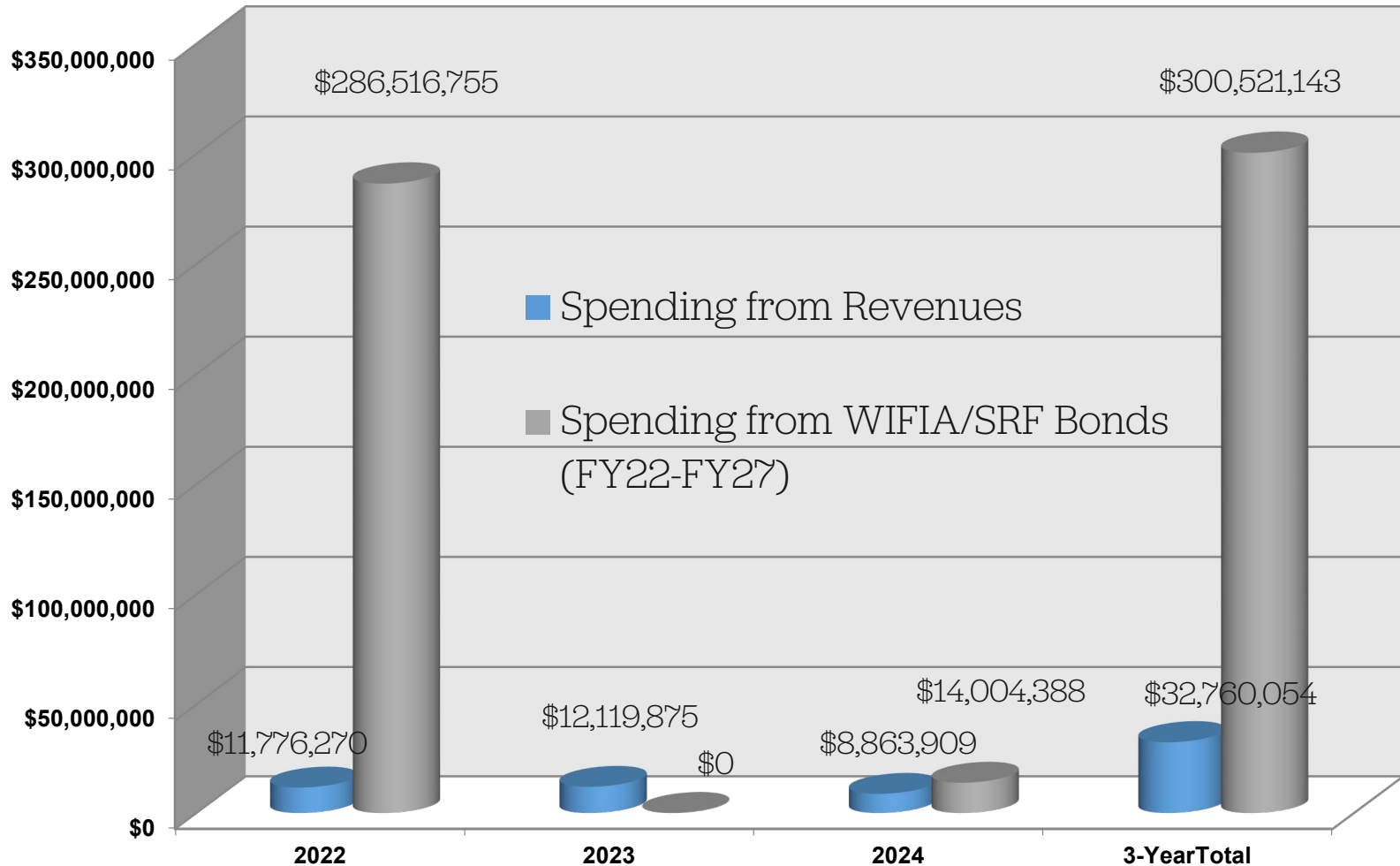


FY22 Operations & Maintenance Budget

Operating Budget	Approved Budget FY 2021	Proposed Budget FY 2022
Operations:		
Personal Services	\$ 15,052,620	\$16,362,062
Fringe Benefits	9,948,615	10,730,116
Purchased Services	28,239,667	27,084,190
Supplies and Materials	3,481,950	3,233,174
Intergovernmental	668,400	678,647
Other charges and expenses	642,543	678,340
Capital outlay	477,050	372,470
Loan Service Charge	477,523	184,841
Total Operations	\$ 58,988,368	\$59,323,840
Debt Service:		
Principal Payment	12,861,139	14,859,173
Interest Expense	6,094,554	6,208,870
Total Debt Service	18,955,693	21,068,043
Total Operating Budget	\$ 77,944,061	\$80,391,883

Three Year Capital Plan

Allocations in Preparation for WIFIA



Rate Changes in FY22

*Translate into average household increase of
\$6/month*

Customer Class	FY 2021	FY 2021 Eff. July 1	% Increase
Water:			
Residential & Commercial	\$3.96	\$4.19	5.9%
Industrial & Municipal	\$2.96	\$3.13	5.9%
Sewer:			
Residential & Municipal	\$6.25	\$6.62	5.9%
Commercial & Hospital	\$6.88	\$7.28	5.9%
Industrial	\$7.50	\$7.94	5.9%
Restaurant	\$8.13	\$8.61	5.9%
Combined Water and Sewer:			
Residential	\$10.21	\$10.81	5.9%
Typical Annual Household Bill	\$1,225.75	\$1,297.20	5.9%

Note: Rates above are for each 100 cubic feet (or 748 gallons) of metered water.

The Value of Water?

Essential.

- Easy to take for granted, until it's not there



FY22 Water and Sewer Rates fund:

- Infrastructure renewal
- Regulatory compliance
- Reliability/risk reduction
- Acceleration of critically important projects

