Charcoal 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
• 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
• 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
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
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%)