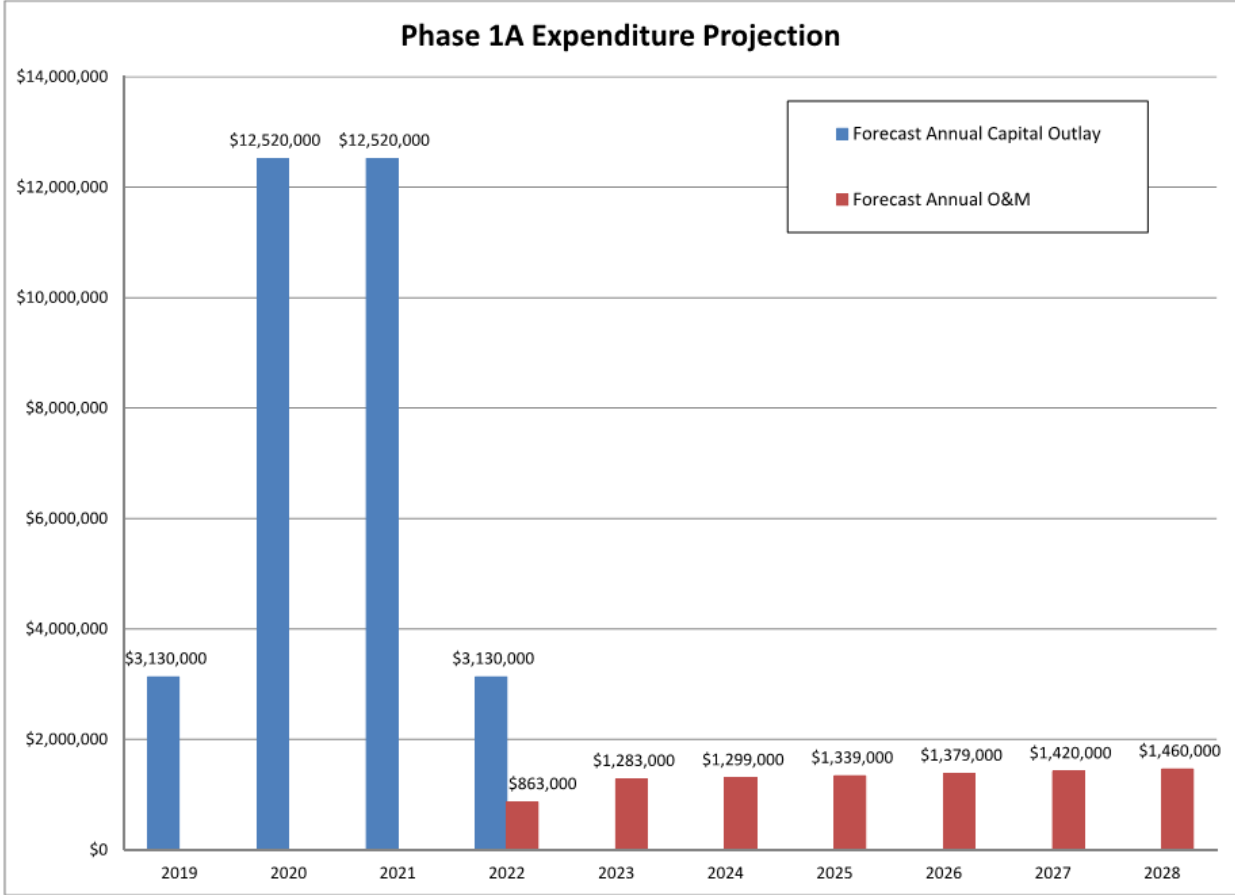




# 01

## Phase 1a Cash Flow

# Planning Level Cash Flow for Phase 1 Implementation





# 02

## **How Will We Pay for This?**

# Prior Analysis / Funding Strategy

- Review and analyze financial feasibility at a **preliminary level**
- Identify major funding considerations for a regional entity.
- Focused on some combination of regional rates and a regional capital payment (connection fee)
- Look regionally not at individual stakeholders
- **Not a go/no-go** but for identification of financial fatal flaws

\*\* HDR is not registered as a Municipal Advisor as defined by the Securities and Exchange Commission and HDR is not providing "advice " as defined by the SEC related to the size, timing, terms or conditions of a debt issue. As engineering financial feasibility study is exempt from the Municipal Advisory rule.

# Simplified Financial Assessment Model

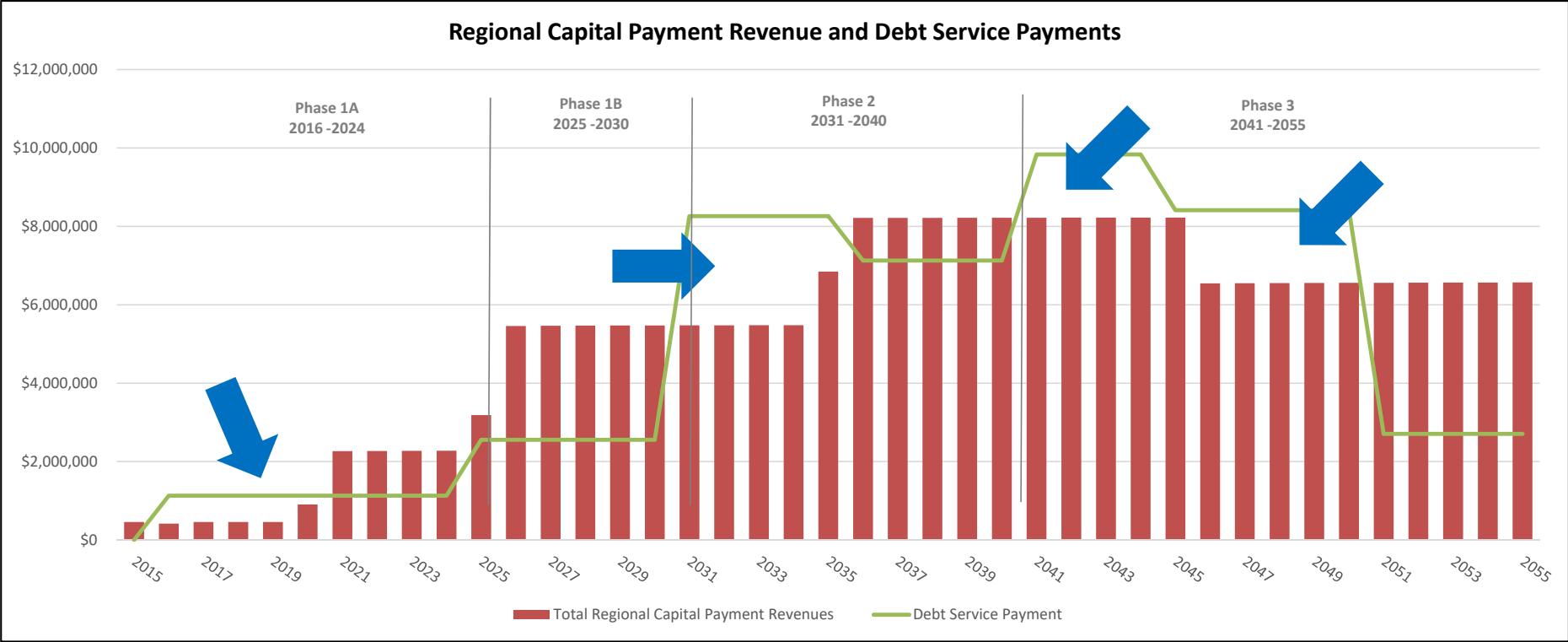
- Excel based
- 2015 through 2062 timeline
- Previously proposed phasing plan 1a, 1b, 2, and 3
- Associated capital and O&M costs / timing
- Forecast growth and associated revenue streams / timing
- Models cost and revenue components separately
- Constant dollars (no inflation, no interest cost)

# Initial Alternative

- Borrow (20 year SRF or Municipal Bond) to pay for Capital Costs
- Charge connection fees to pay for debt service
  - Connection fees are total build out costs / total number of connections
- Charge sewer rates to pay for operating costs
  - Sewer rates are simple operating costs / number of connected customers
- No additional funding obligations by Sarpy County &/or Sarpy Cities

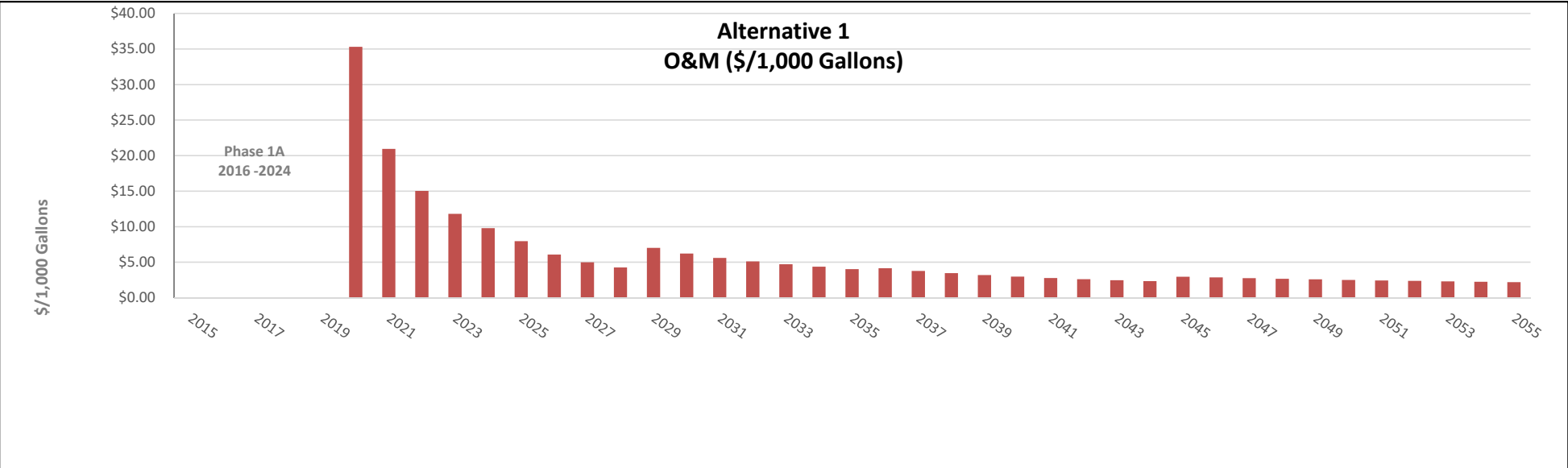
# Initial Results – 1 of 3

- High connection fees – nearly 4x current
  - \$6156/EDU - \$30,780/acre
- Multiple funding gaps: debt service > connection fees



# Initial Results – 2 of 3

- Very high sewer rates initially – nearly 7x current
  - \$238/month/EDU (2020)
- Declining to low sewer rates in later years
  - \$42/month/EDU (2030) to \$14.75/month/EDU (2055)





## Initial Results – 3 of 3

- No reliable, non-growth related funding revenue for investors

# Revised Alternative – 1 of 2

- Cash infusion with grant(s) - \$10 million
  - Site and Building Development Fund (\$2.3 million year)
  - Water Sustainability Fund (\$66 million over 6 years)
  - Legislative action (similar to \$25 million in Bill 1091 for Site and Building Development)

## Revised Alternative – 2 of 2

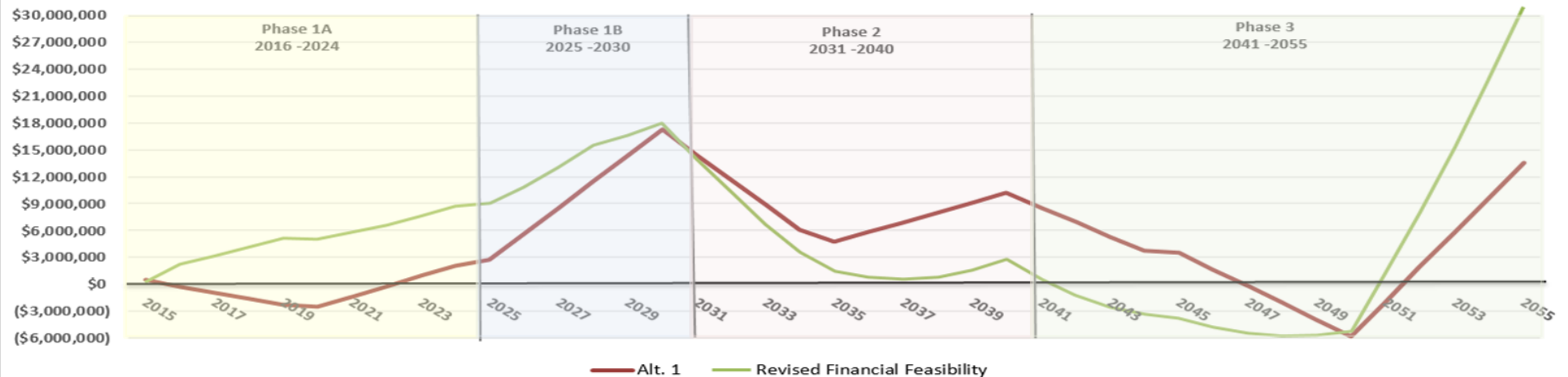
- Add reliable, non-growth related revenue - \$1.3 million/year, 20 years, one of or some combination of the following
  - County wide sales tax - 1/10 of 1¢ sales tax on \$1.4 billion annual sales
    - (10¢ on \$100)
  - County wide property tax - 1¢ per \$100 on \$12.785 billion assessed valuation
    - (\$20/year on \$200k home)
  - County wide sewer rate surcharge - 13% on \$35/month/EDU
    - (\$4.55/month/EDU surcharge)
  - Connection fee surcharge?

# Alternative Funding Strategy

- Borrow (20 year SRF or Municipal Bond) to pay for Capital Costs
- Reduce connection fees - \$3500/EDU - \$17,500/acre – 2x
- Lower sewer rates - \$35/month/EDU - current
- Add additional revenue streams
  - \$10 million grant infusion
  - \$1.3 million/ year reliable, non growth related revenue stream

# Alternative Results

Summary of Alternative 1 Cash Flow with Revised Feasibility Revenue



- With \$10 million grant & \$1.3 million/year reliable, non growth related revenue stream
  - Eliminated funding gap (until late 2040's)
  - Reduced Connection Fees to \$3500/EDU - \$17,500/acre
  - Reduced and Stabilized Sewer Rates at \$35/month/EDU
  - Provide reliable, non growth related revenue stream for investors

# Conclusion

- Regionalization can be financially feasible
  - Will likely require some additional outside funding assistance
    - Up-front grant for at least \$10 million?
    - Sales tax, property tax, or sewer rate surcharge for 20 years for \$1.3 million/year?
    - Other?
  - Financially feasible through Phase 2
    - Cash flow perspective using the prior assumptions
  - Phase 3 may require a renewal of the sales/property tax, additional grant and/or revision of the capital/connection fees

# Path Forward (1 of 3)

- All strategies are founded primarily on connection fees and sewer rates
- The higher the fees and/or the higher the rates, the lower the need for other funding sources
- Municipal advisor will affirm and refine funding strategy
- P3 proposers will identify their cash flow requirements
- Regardless of traditional or P3 approach
  - Grants lessen impact
  - Municipal borrowing sources are attractive relative to private investment
  - Reliable, non growth related revenue is beneficial for investors

# Path Forward (2 of 3)

- Regardless of traditional or P3
  - Engage w/ State Legislators and Governor's office
    - Ask for additional funding for the Site and Economic Development Fund
    - Ask for additional funding for the Water Sustainability Fund
    - Introduce a sales tax turnback concept
    - Explore other potential new funding sources
  - Engage US Representatives
    - Explore potential funding sources



# Path Forward (3 of 3)

- Regardless of traditional or P3
  - Continue to Pursue SRF Funding
    - Low interest loan with a 20 (or potentially 30) year payback, after construction is complete
      - » Interest rate: 1.5% - 2% (depending on credit score)
      - » Administration Fee (yearly): 1% of balance (can request a 0.5% reduction)
  - Submittal by December 2018 for Loan Closing in mid- 2019
    - Can include engineering as well as construction costs
    - Need to work through Agency eligibility items
    - Can use other funds to meet total cost needs, but Agency is the loan recipient (not a P3)

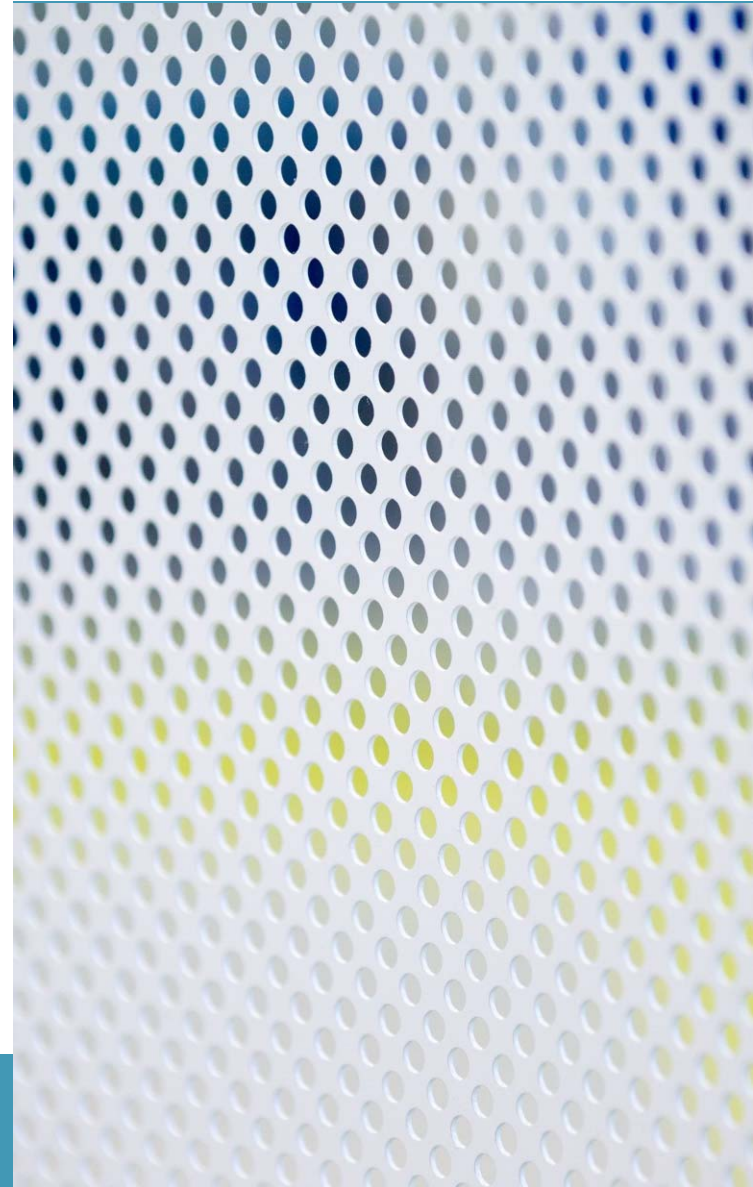


# 03

## How to Allocate Costs

# Criteria / Guiding Principles

1. Contributes to jobs creation
2. Facilitates orderly growth supportive of land use patterns and infrastructure / facilities investments
3. Considers market pressures
4. Provides county-wide benefit
5. Cost effectiveness
6. Creates additional funding opportunities



# Benefits

Entity	Hwy 50 Industrial Corridor	County Jail & Mental Health Facility	Regional Wastewater System
Sarpy County	✓	✓	✓
Gretna	✓	✓	✓
LaVista	✓	✓	
Springfield	✓	✓	✓
Bellevue	✓	✓	✓
Papillion	✓	✓	✓

# County Jail & Mental Health Facility

- County
- Cities
  
- 400 inmates 50,000 gallons/day
- \$900 thousand capital investment
- \$65 thousand/year O&M investment

# Highway 50 Industrial Development

- Jobs
- Housing
- Assessed Valuation
  
- 750 acres 250,000 gallons per day (2030 flow)
- \$3.5 million capital investment for wastewater
- \$260 thousand/year O&M investment

# Cost Allocation

- Connection Fees – Developers
- Sewer Rates – Future Users
- County Wide Revenue Source (\$1.3 million/year) – Current Users
- Other (\$10 million) – Sarpy County & Sarpy Cities
- Less Than Anticipated Growth Revenue – Sarpy County & Sarpy Cities

# Allocation Considerations

## Sarpy County & Sarpy Cities Share

- Phase by Phase vs Full Development
- Conveyance & Treatment Costs Combined vs Separate
- Assessed Valuation vs Acres vs Population vs Flow



# Potential Allocation - Recommended

- Allocate county wide, non growth related funding source based on collective benefit of industrial development and county jail and mental health facility
- Allocate remaining conveyance and treatment costs for all phases are allocated based on anticipated full development (2055) flow contribution
  - Sarpy County – x% of remaining cost\* based on % of total flow
  - Gretna – y% of remaining cost\* based on % of total flow
  - LaVista – 0% of remaining cost\* based on no contribution to total flow
  - Springfield – z% of remaining cost\* based on % of total flow
  - Papillion – a% of remaining cost\* based on % of total flow
  - Bellevue – b% of remaining cost\* based on % of total flow

\* Cost in excess of revenue generated through connection fees, sewer rates, grant funding, county wide funding source

# Recommendation

- Simple
- Allocates a portion of costs to everyone, including LaVista, reflecting the County wide value of industrial development and County Jail and Mental Health Facility
- Allocates remaining costs to those contributing flow to the Regional Wastewater System, everyone but LaVista, based on % contribution to total flow
- Can be established upfront based on forecast needs of each participant
- Avoids the need to consider varying cost vs benefit over time
- Avoids the need to consider varying contributions to each trunk sewer

# Alternative Variation

- Assumes county wide, non growth related funding source based on collective benefit of industrial development and county jail and mental health facility
  - Same
- Assumes treatment portion of remaining costs for all phases are allocated based on full development flow contribution
  - Same
- Assumes remaining conveyance costs for all phases are allocated based on full development flow contribution
  - Allocation varies for each trunk sewer based on flow contribution to each

# Potential County Wide Allocations

Based on collective benefit of industrial development and county jail and mental health facility

	2017 Population		2017 Taxable Value		2017 Net Taxable Sales	
County	68081	43%	\$7,905,000,030	55%	\$221,451,396	12%
Bellevue	50137	32%	\$2,985,677,702	21%	\$432,797,283	24%
Gretna	4441	3%	\$362,935,255	3%	\$274,139,818	15%
LaVista	15758	10%	\$1,497,750,160	10%	\$283,268,433	15%
Papillion	18894	12%	\$1,648,885,273	11%	\$610,058,866	33%
Springfield	1529	1%	\$94,000,408	1%	\$13,896,120	1%
Total	158840	100%	\$14,494,248,828	100%	\$1,835,611,916	100%



# Potential Remaining Regional System Allocations

Based on anticipated full development (2055) flow contribution

<b>ETJ</b>	<b>Total Acres</b>	<b>%</b>
Gretna	4,085	23%
Springfield	2,073	12%
Papillion	5,968	33%
Bellevue	906	5%
County	4,895	27%
<b>Total</b>	<b>17,929</b>	<b>100%</b>

Flow ~ Acres



# Basin Allocations

Acres vs Population

<b>Basin</b>	<b>Total Acres</b>	<b>%</b>	<b>Forecasted Pop.</b>	<b>%</b>
Buffalo Creek	7,467	42%	25,130	29%
Springfield Creek	6,292	35%	32,067	37%
Zweibel Creek	4,169	23%	29,477	34%
<b>Total</b>	<b>17,929</b>	<b>100%</b>	<b>86,674</b>	<b>100%</b>





**QUESTIONS?**