



COUNTY OF ERIE
DEPARTMENT OF ENVIRONMENT & PLANNING
DIVISION OF SEWERAGE MANAGEMENT
**** MEMORANDUM ****

DANIEL CASTLE, AICP.
 COMMISSIONER
 JOSEPH FIEGL, P.E., BCEE
 DEPUTY COMMISSIONER

FROM: Joseph Fiegl, P.E., BCEE – Deputy Commissioner *JF*
TO: Erie County Sewer District (ECSD) No. 3 Board of Managers
DATE: March 28, 2024
RE: Southtowns AWTF Expansion Project
 Potential Financing Plan

As the Board is aware, from 2019-2024 costs have increased well beyond initial estimates for the Southtowns Advanced Wastewater Treatment Facility (AWTF) Expansion Project due to major inflationary pressures, material and labor shortages, a saturated construction market with limited contractor availability, and other factors. Using the actual bid costs received for Phase 1 (including selected electrical / backup power generation improvements identified in the additional needs evaluation) and the Phase 2 estimates at 60% design, the updated cost of the project is \$215 million. Further details are presented below:

Phase 1 Project – Bid	Schedule of Values
Major Element	
Mobilization/Demobilization & General Conditions	\$3,800,000
Erosion Control / Staging Areas / Temporary Lots and Fencing	\$1,000,000
Demolition	\$800,000
New Effluent Submersible Pump Station	\$12,900,000
Chlorine Contact Tank, Auxiliary Pump Station, Dechlorination Facilities	\$10,200,000
Piping / Hydraulic Improvements	\$5,300,000
Outfall Repairs (in lake)	\$2,500,000
Paving Work, Site Utilities, Restoration	\$2,500,000
New electrical substation, plant-wide generator, other electrical improvements	\$14,800,000
Hazardous Materials, Contingencies, Etc.	\$1,200,000
TOTAL	\$55,000,000

Phase 2 Project – 60% Design	Opinion of Probable Cost
Major Element	
Utility Re-location, Excavation, Dewatering, Prep Work	\$25,000,000
Clarifiers, Activated Sludge Pumping Station, and South Tunnel	\$73,000,000
New Aeration (UNOX) Reactors	\$15,000,000
Rehabilitation of Existing Aeration (UNOX) Reactors and Site Work	\$12,000,000
TOTAL	\$125,000,000

Additional Items To Be Considered	Opinion of Probable Cost
Major Element	
Phase 2 Cost Uncertainty (AACE Class 2 Estimate - 20%)	\$25,000,000
Additional Needs: “non-regulatory” items	\$10,000,000
TOTAL	\$35,000,000

Both the Phase 1 and Phase 2 projects for the Southtowns AWTF expansion qualify for 50% subsidized financing through the New York State Environmental Facilities Corporation (NYSEFC) per the latest Clean Water State Revolving Fund intended use plan released on October 1, 2023. The NYSEFC’s current subsidized rate is 2.35%; using 2.5% interest rate and a 30-year term, the annual principal/interest payments would be approximately \$10.3 million for \$215 million. Based on this information, the Division of Sewerage Management (DSM) estimates the annual cost impact to the average home in ECSD No. 3 would be \$221 based on 46,600 total equivalent dwelling units.

It is important to note there are a few factors that can mitigate these impacts to the ratepayers:

- The \$12 million in American Rescue Plan Act funding obligated for Phase 1 construction work.
- The \$17 million New York State Water Infrastructure Improvement Act grant awarded for Phase 1 construction to cover 25% of net eligible costs (total eligible costs less any third-party grants). As the grant agreement has not been finalized it is unknown at this time if the full \$17 million of funding will be realized; nevertheless, this grant is expected to provide significant assistance.
- Additional grants and other outside funding sources. Specifically, the DSM has submitted a Federal congressionally directed spending request and anticipates submitting applications for various New York State grant opportunities such as the Water Quality Improvement Project program and the Water Infrastructure Improvement Act program (for Phase 2).
- The approximately \$420,000 of existing annual bond debt payments will expire by the time the Southtowns AWTF expansion construction work is complete.
- The potential to decrease the \$2.1 million capital reserve allocation presently in the ECSD No. 3 budget as new debt is realized.

The \$12 million in American Rescue Plan Act funding and the \$17 million in Water Infrastructure Improvement Act grant could decrease the amount to be borrowed to \$186 million. Using a 2.5% interest rate and a 30-year term, the annual debt payments would be approximately \$8.9 million for a \$186 million borrowing. The \$8.9 million increase in annual debt service costs could be further decreased by approximately \$2.5 million through expiring debt and eliminating the annual capital reserve allocation. Considering those two additional factors, the annual cost impact for the average home in ECSD No. 3 for a \$6.4 million increase would be lowered to \$138.

There is also an option to phase in the cost impacts over time. In the 2025 Budget the DSM plans to propose \$1.2 million for debt service related to BAN interest payments for Phase 1 construction. Further, the largest increase in debt service is not expected to occur until 2029 or 2030 when it is anticipated the Phase 2 construction work would be complete. Through the next five (5) budget years the capital reserve allocation could be increased annually to incrementally incorporate “capacity” for future debt payments within the ECSD No. 3 rate structure. The capital reserve allocation would then be decreased as new debt payments commence, thus mitigating the one-year increase when the largest NYSEFC borrowing would occur.