



Town of Nantucket
Article 33 of 2011 Annual Town Meeting and
Question 1 of June 14, 2011 Special Election
Fact Sheet

The intent of the Finance Committee's Motion to Article 33 is to shift a portion of the existing debt service payments relating to the Siasconset and Surfside Wastewater Treatment Facilities from the Sewer Rate Payer to the Tax Payer.

Background

At an April 2005 Special Town Meeting, the voters authorized the Town to borrow approximately \$35,000,000 for upgrades to the Surfside Wastewater Treatment Plant (this amount was later increased to approximately \$45,000,000 at a special town meeting on October 23, 2006).

As part of the 2005 vote, the voters decided that 34% of the debt service cost (the payment of principal and interest for the life of the bonds issued to construct the improvements) would be paid from General Tax revenue meaning that 34% of the necessary amount would be raised on the property tax levy. The vote also required that the remaining 66% of the debt service would be raised from the Sewer Enterprise Fund. In order for the Town to afford to pay 34% of the debt service from the tax levy, the Town also approved a Proposition 2½ debt exclusion override at a special election in 2005.

Two main revenue sources make up Enterprise Fund revenue: the first is user fees (the yearly amounts paid by persons connected to the sewer to fund the operation of the sewer system,) and the second is privilege fees which the Town assesses to new users when they first connect to the sewer. Although the 2005 vote did not break down which portion of the 66% would come from sewer user fees and which portion would come from privilege fees, at the time of the 2005 vote the Town anticipated that half of the 66% of Sewer Enterprise revenue needed to pay debt service (or 33% of the total) would come from user fees and the other half would come from sewer privilege fees as people began to connect to the system once the upgrades were completed.

Since 2005, a problem has arisen in that fewer properties than were expected have actually connected to the sewer system which has resulted in a significant reduction in the amount of revenue that the Town has received from sewer privilege fees. Because of the way that the 2005 town meeting vote was worded, the Sewer Commission has had to raise sewer rates so that the Enterprise Fund is able to cover the 66% of the debt service as required under the 2005 vote.

The purpose of the Finance Committee Motion to Article 33 is to shift a portion of the debt service cost from the Enterprise Fund to the General Fund and to raise the additional amount on the property tax levy. Although Article 33, which appears on the warrant as a citizen's petition, intended to raise the entire amount of the debt service for both the Surfside and Siasconset wastewater treatment plant projects on the tax levy, the petitioner, the Finance Committee and the Board of Selectmen acting as the Nantucket Sewer Commission, met several times and agreed on a compromise that is the Finance Committee's Motion to Article 33.

The compromise is as follows: Town Meeting is being asked to approve a new method for funding the debt service of both wastewater treatment plants (not just the Surfside plant). Each year, the General Fund's obligation to pay the debt service will increase from 33% to up to 66%, whereas the Enterprise Fund obligation will be decreased to at least 34%. The motion also includes a statement that it is the intent of town meeting that the debt service for both plants be raised to the maximum extent possible from the Sewer Enterprise Fund and that all of the sewer privilege fee revenue be used to make up as much of the additional 34% obligation of the general fund from the Sewer Enterprise Fund as possible.

If revenue derived from sewer privilege fees is not adequate to cover the remaining 34% of debt service, some portion of sewer user fees would have to be dedicated to debt service to make up the difference. This is because the bonds issued for the treatment plants are general obligations of the Town that must be paid regardless of the rate of collection of sewer privilege fees.

The Town is taking steps to maximize the number of new connections to the sewer system by encouraging the Board of Health to enforce its mandatory sewer connection regulation. Although the primary purpose for enforcing the mandatory sewer connection regulation is to promote public health and to protect the environment, enforcement of the regulation will also serve to increase the amount of Enterprise Fund revenue derived from sewer privilege fees and it is hoped that these added connections will insure that the full 34% of the Enterprise Fund debt service obligation can be derived from sewer privilege fees rather than user fees.

Finally, in order to create enough room in the Town's Proposition 2½ levy limit to pay the 66% of the debt service from tax revenue, the voters of the Town will have to approve a new Proposition 2½ debt exclusion override ballot question at a special election which has been scheduled for June 14, 2011. The motion under Article 33 is contingent on the passage of that ballot question.

Current Funding Method (Configuration A)

	Remaining Debt Service*	Taxpayer	Sewer Enterprise Fund (Combination of Sewer Rates and Privilege Fees)
Siasconset Wastewater Treatment Facility	\$ 8,720,869	\$ 0	\$ 8,720,869
Surfside Wastewater Treatment Facility	\$61,362,552	\$20,863,268	\$40,499,284
Total	\$70,083,421	\$20,863,268	\$49,220,153

**Debt Service figure represents principal and interest for design, planning, permitting and construction for Siasconset and Surfside Wastewater Treatment Facilities (WWTF). The authorization in 2005 for the Surfside WWTF in the amount of \$35,000,000 pertained only to construction.*

Proposed Funding Method (Configuration B)

	Remaining Debt Service*	Taxpayer	Sewer Enterprise Fund (Combination of Sewer Rates and Privilege Fees)
Siasconset Wastewater Treatment Facility	\$ 8,720,869	\$ 5,755,774	\$ 2,965,096
Surfside Wastewater Treatment Facility	\$61,362,552	\$40,499,284	\$20,863,267
Total	\$70,083,421	\$46,255,058	\$23,828,363

**Debt Service figure represents principal and interest for design, planning, permitting and construction for Siasconset and Surfside Wastewater Treatment Facilities (WWTF). The authorization in 2005 for the Surfside WWTF in the amount of \$35,000,000 pertained only to construction.*

Tax Rate Impact – Fiscal Year 2013

Currently, Twenty Million Eight Hundred Sixty-three Thousand Two Hundred Sixty-eight Dollars (\$20,863,268) of the remaining debt service for the Surfside Wastewater Treatment Facility is paid by the tax payer. If the proposed funding method shown in Configuration B is approved, the amount paid by the tax payer increases to Forty-six Million Two Hundred Fifty-five Thousand Fifty-eight Dollars (\$46,255,058) for both Siasconset and Surfside Wastewater Treatment Facilities and annually the general fund debt service would increase by \$1,542,682 each year. The tax payer impact follows:

Tax Rate Impact – Fiscal Year 2013

Assessed Value*	Average Tax Bill Per Year*	Tax Bill Per Year with Additional Debt Service in General Fund	Annual \$ Change in Tax Bill**
Average Property Value of \$600,000	\$2,147.96	\$2,220.52	\$ 52.56
Average Property Value of \$1,200,000	\$4,295.91	\$4,401.04	\$105.13
Average Property Value of \$1,576,411	\$5,643.44	\$5,781.54	\$138.10

*Average property values and tax bill are based upon 2011 assessed values.

**Worst case scenario if the full 66% of revenue from the tax base is required.

Sewer Rate Impact – Fiscal Year 2013

The average sewer bill contains two components, a monthly service charge in the amount of Thirty Dollars (\$30) and metered rates for flows. The proposed funding method in Configuration B shown above has the potential to reduce the monthly service charge by \$264.01 per year.

Sewer Rate Impact – Fiscal Year 2013

	Service Charge	Metered Rate	Average Annual Bill
Current Rate Model	\$30.00 Per Month	\$4.50 Off Peak \$6.00 Peak	\$1,044.49
Proposed Rate Model (If Article 33 Passes Town Meeting & Ballot Vote)	\$8.00 Per Month	\$4.50 Off Peak \$6.00 Peak	\$ 780.48
Decrease in Average Bill			\$ 264.01

The Board of Selectmen acting as the Sewer Commissioners have the authority to adjust sewer service charges and rates as needed.

Vote Impact

YES Vote on Article 33: approves the motion and the revised funding method is forwarded to the Board of Selectmen to place on the ballot for voter consideration of a debt exclusion override at a special election.

On April 13, 2011, the Board of Selectmen scheduled a special election for June 14, 2011 for this and other questions. If Question 1 (pursuant to Article 33) on the ballot is approved, the tax rate impact would take effect in July of 2012.

NO Vote on Question 1: no tax rate impact would occur; funding in the Sewer Enterprise Fund for the items in Article 33 would remain as is.