

March 31, 2025
via Email

Honorable James Orman, Mayor
Village of Aurora

Re: Village of Aurora, Cayuga County, New York
Financial Impact of Water System Improvements and Increased Operations
and Maintenance Expenses

Dear Mayor Orman,

Fiscal Advisors & Marketing, Inc. has reviewed the reports prepared by Barton & Loguidice related to the closing of Wells College and the transfer of operations and maintenance of the water treatment plant to the Village and the cost of the necessary immediate and long-term infrastructure improvements needed for continued operation of the Village's water system as well as the increase in the operations and maintenance (O&M) budget of the water system. We have used those O&M figures in our comments below. For the capital charges we have assumed a thirty-year bond with an interest rate through EFC of 4.2%, which reflects the most recent pricing rate for an EFC bond issuance.

Below provides a summary of the potential financial impact related to the proposed capital improvements to the Village of Aurora's water system, including the emergent repairs to the water infrastructure, as well as the financial implications of the two options for the long-term operations to supply water to the Village users.

Emergent Repairs and Short-Term Borrowing

It is understood that the Village must undertake urgent repairs to the water system, estimated at \$419,000. Fortunately, this amount is expected to be fully reimbursed through a grant from the Northern Borders Regional Commission (NBRC). However, since this is a reimbursable grant, the Village may need to secure short-term borrowing to maintain cash flow until the reimbursements are received. We recommend assessing the timeline of the first reimbursement submission and use that data to review any potential need for short-term borrowing to ensure smooth cash flow during this period.

Long-Term Village Water Supply Options

The Village faces two primary options regarding the future of its water treatment plant:

1. Option 1: Upgrade the existing Village Water Treatment Plant, maintaining ownership and operations by the Village.
 2. Option 2: Close and decommission the current water treatment plant, connecting Village users to the Town of Springport's water system and purchasing water from the Town.
- The estimated cost for Option 1 is approximately \$11,000,000, while Option 2 is estimated at \$10,500,000.
 - The Village has been awarded a \$3,000,000 Water Infrastructure Improvement (WIIA) Grant and anticipates this grant to increase to \$5,000,000. The final grant increase has not yet been confirmed, but it is expected to be applicable to the infrastructure improvements under both options.

Assuming the Village receives the \$5,000,000 grant, the annual debt service for both options would be:

- Option 1: Approximately \$355,000 per year over a 30-year term.
- Option 2: Approximately \$325,000 per year over a 40-year term.

Operations and Maintenance (O&M) Costs

In addition to the capital costs outlined above, there will be a significant increase in O&M costs under both options. The Village's current (2024-25) budget for water O&M is approximately \$118,100. The projected increases are:

- For Option 1, the annual increase in O&M expenses is approximately \$200,900, bringing the total annual budget to around \$319,000.
- For Option 2, the annual increase in O&M expenses is approximately \$244,000, raising the total annual budget to approximately \$344,000.

Rate and Fee Impact on Users

Given the projected increases in both capital and operational costs, it is crucial to evaluate the financial burden on residents and users:

- Currently, the Village has approximately 220 Equivalent Dwelling Units (EDUs).
- The total water budget for 2024-25 is \$118,100, resulting in an average cost of \$537 per EDU.
- With the anticipated increases:
 - For Option 1, the water bill per EDU would increase by approximately \$2,527 (from \$537 to \$3,064 annually).
 - For Option 2, the water bill per EDU would increase by approximately \$2,504 (from \$537 to \$3,041 annually).

In terms of water consumption, the Village averages 11,351,783 gallons per year. Based on a budget of \$118,100 for 2024-25, the current rate is \$10.40 per 1,000 gallons. After implementing the proposed O&M increases, this rate will rise to approximately \$28.10 per 1,000 gallons for Option 1 and \$30.30 per 1,000 gallons for Option 2.

Comparison to Other Village Revenues

To put this in context, the Village's total budget for 2024-25 is \$1,121,110, with a general fund budget of \$780,400 and a general fund tax levy of \$122,775. This levy equates to \$1.75 per \$1,000 of assessed value. Under Option 1, the increase in water rates would eclipse the entire general fund tax levy by nearly \$550,000. For a homeowner with a \$100,000 assessed value, their total water bill would rise to \$3,064 annually, in addition to general fund taxes and sewer charges.

Sewer Fund Impact

The closure of Wells College has led to a 65% reduction in the wastewater treatment plant's user base, causing an annual loss in sewer fund revenue of approximately \$50,000. This lost revenue further exacerbates the Village's burden on remaining sewer fund users, as these costs will need to be absorbed by them. The Village will also need to increase sewer rates to account for increased labor, supply, and material costs.

Financial Sustainability and Reserve Recommendations

The Village must ensure that water rates and fees are set at levels that will maintain the financial sustainability of the water fund. As recommended by the New York State Office of the State Comptroller, the Village should establish a reserve to fund future repairs and renovations to the water system. Without such a reserve, the Village will need to increase rates by approximately 570% per EDU for Option 1 and 566% per EDU for Option 2 to cover both capital and O&M expenses. The creation of a reserve fund would result in an even higher rate increase, but would provide future stability in the funding of needed capital improvements.

Financial Stability and Bond Rating Considerations

It is critical for the Village to maintain a strong financial position, as this will impact its bond rating and the cost of borrowing for capital projects. A weak financial condition increases the risk perceived by investors, which could lead to higher interest rates on bonds. Maintaining sound financial health is essential for ensuring the lowest possible cost of capital for future water system improvements and other capital projects the Village may need to undertake.

Conclusion: A Difficult Financial Position

With the closing of Wells College and the urgent need to address a deteriorating water treatment system, the Village is in a challenging financial situation. The projected increases in capital and operational costs under both options will place a significant financial burden on water users.

However, in order to sustain operations, maintain the water system, and remain compliant with the New York State Comptroller's recommendations, absent any outside revenue sources, rate increases are necessary. Failure to do so may compromise the Village's financial condition, potentially resulting in state audits and higher borrowing costs.

Given the scope and critical nature of these improvements, we recommend the Village continue to explore and discuss the dire situation at hand with state officials and representatives to secure additional state and federal funding opportunities to assist with the financing of the water treatment plant upgrades as well as the ongoing O&M expenses. The costs associated with these necessary improvements are significant, and securing further grants or low/no-interest loans from state and federal agencies is critical to help reduce the financial strain on both the Village's budget and its residents. Further assistance through federal or

state programs would be vital in ensuring that the Village can continue to provide safe and reliable water services without burdening taxpayers and ratepayers.

We believe that a combination of local rate increases, significant state and federal support, and prudent financial management will allow the Village to meet its water system needs while maintaining long-term fiscal health. Without significant state and/or federal support, meeting the water system needs will be extremely challenging and potentially not sustainable for the Village.

Please feel free to reach out with any questions.

Very truly yours,
FISCAL ADVISORS & MARKETING, INC.



Christine M. Crowley, CIMPA
President/Municipal Advisor
Corporate Headquarters