

Municipal Water System (MWS) Plan for Eastham Frequently Asked Questions Part III: Financial Impact

How much will the Full MWS cost and how will it be paid for?

The estimated cost for full installation of Phase I-VI MSP is \$114.8 million (see website for cost of each Phase), which is more than last year's \$111 million estimate due to inflation. The Town plans to borrow funds from the State Revolving Loan funds at 2% interest, with 20 year notes. Due to staggered borrowing, the payback period is 30 years.

The amount needed to pay back the state loan will be added to the real estate taxbill of every Eastham property assessed, regardless of what Phase they are in, or whether or not they hook in. Each year's tax will be based on the level of development of the system (e.g. phase I taxes will be assessed to all regardless of whether the property has service yet, and so on for each Phase). An Eastham resident with a property valued at \$400,000 will pay an estimated \$17,591, or average \$586 per year over the 30 year loan period. See Tax Calculator.

Will residents who opt not to hook into town water have to pay these taxes? What about residents who are in later Phases?

Yes. See above answer.

Has Eastham applied for any grants or funds to defray costs that otherwise will need to be paid by taxpayers?

The Town is applying for grant assistance from the EPA and USDA Rural Water program, as well as working with State Legislators to apply for and extend the State Revolving Loan Fund term and lower the interest rate from 2% to 0%. Current estimates are based on the possibility that the total cost will need to be covered by taxes.

How reliable is the estimated cost of the Municipal Water System (MSP)? We are concerned about costs being far greater (as happened with the elementary school).

Precautions have been taken and due diligence performed to forestall a cost overrun. The cost estimate includes inflation of 2% at each phase, and includes a contingency of 7% for unforeseen conditions. The level of engineering detail gives us confidence that quantities are accurate and prices are best available. Previous municipal projects (e.g., town hall renovation, fire station and transfer station construction) have been on budget and on time. The elementary school was not a municipal project. It was managed and controlled by the Elementary School Building Committee. Town Projects now require an Owner's Project Manager, Clerk of the Works and are overseen by a capital projects committee that includes representation from the Finance Committee and Board of Selectmen.

What additional costs (e.g., hook up, water use) to homeowners above the taxes for MWS Phase I-VI installment will there be?

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Property owners who opt not to hook into MWS will not incur the additional costs that owners who opt to tie in will incur (as follows).

For those who opt to connect to town water, the biggest additional costs will be the one-time cost of the contractor/plumber to install the appropriate equipment and plumbing to connect from the road into the home. The connection box at the road will be installed on the property line by the town; there is no charge by the town to hook up. The town will provide the meter needed at no cost for in-house water use. Estimates of \$12 to \$16 per foot for trenching for the line from the street to the house, and \$250 for the in-house connections have been quoted by several local plumbers. Your total cost will be based on your individual home circumstance; you should get estimates from your own contractors.

Those who connect to MWS will be charged for water usage. Most town water systems charge a minimum flat fee and a water usage charge based on gallons used. Neither the fees nor the billing cycles (e.g., monthly or quarterly) have been decided yet. Based on Orleans water fees, it is estimated that the annual water bill for a year-round residence will average \$250. As usual, those with seasonal homes who “winterize” may incur additional expenses if they have a plumber shut off the water and drain pipes, but there will be no Town fee to do so.

What will the administration, operation and maintenance costs of a town-wide MWS for Eastham be after the system is installed, and how will that be implemented and paid for?

A bid for contract service with expertise in this area will be made. Eastham will not create its own Water Department. The estimate for contract services, once the MWS is in nearly full operation (year 10), is \$1 million for staff, equipment, supplies, water testing and reporting, billing, meter reading, and repairs.

This cost will be covered by the fees charged to those who connect to MWS. The cost estimate is based on 60-75% of eligible homeowners connecting in each Phase (or 4500 of 6646 by the end of Phase VI). If fewer than expected connect, the cost of these services would be based on actual users and thus expected to decrease. Water rates may be higher for commercial properties as they will use more water. The town will set water rates as the system is installed.

Is it fair to tax resident property owners for something they may not benefit from in the early years (if they are in later Phases of the project), or ever (if they choose not to hook into TW)?

Municipal Water is a community asset. There are many examples of community tax-funded resources that may not be seen to directly benefit all who pay, such as schools, fire department, snow removal, and libraries. All residents, whether they hook in or not, will benefit from improved fire protection (from hydrants). Many homeowners may see insurance rates drop as a result of this (those with or

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without connection to TW), estimated to be 10% of the premium by some insurers based on an ISO fire protection rating improvement from the current “9” (out of 10 being worst) to a “4” (homeowners need to check with their individual insurers). In addition, those who do not hook in when first available, will have readily available access should they wish to hook in at a later time, as well as improved home value due to current or future access to municipal water. A functioning MWS is also likely to ease growing concerns of visitors to Eastham about the safety of drinking water.

Other than possible cost savings for homeowners on insurance premiums from improved fire protection rating, are there any other costs that can help to offset the expense for residents?

For those who pay federal income taxes and itemize deductions (using Schedule A), real estate taxes, including the additional amount assessed for MWS, can be deducted. Those taking the standard deduction cannot additionally deduct the tax. Water bills cannot be deducted from taxes. Please consult a tax advisor if you have more specific questions about your own tax status.

Other possible cost savings for property owners who hook into MWS are those of having to maintain or drill a new well if current well failed, no longer having to treat well water (e.g., to reduce iron staining or other treatment), no need for annual water testing fee required for rental properties.

What has the Town already spent for the required testing in the current problem area?

The current testing program mandated by DEP includes an area encompassing 89 properties. Each test is \$235, and including cost of collection, test results, analysis and reviews and reports required, approximately \$80,000 has been spent for the period January - March 2013. The Town has also incurred the cost of drilling one new well, and supplying bottled water to homes.