



Portsmouth Concerned Citizens

NEWSLETTER

“Information is the currency of Democracy”

- Thomas Jefferson

www.portsmouthconcernedcitizens.org

Editor: Joe Robicheau

July 25, 2009

Volume V, Edition 1

From the President -- Larry Fitzmorris

This newsletter concentrates on the Proposed Sewer System – This project is the largest, by a considerable margin, which our town has ever considered. Members of the PCC have watched development of this project for the last three years and have carefully analyzed costs and risks. We think we know its shortcomings.

In short, we strongly oppose this project. We believe that its cost will force people out of their homes and that it is a proposal to fix a problem we can resolve with a vastly cheaper Wastewater Management District.

We can't sit back and rely on our elected officials to act spontaneously in our best interests. It is vital for everyone to communicate with our Town Council members and tell them you oppose this irresponsible project. Powerful interests are backing this proposal – don't let their voices be the only ones heard.

In This Issue:

Sewers – An Overview – We discuss the steps this project will likely take, how the principal decisions will be made, the coverage areas and who will pay.

The Cost of Sewers – The estimated cost of this project is stunning. We present a summary of both total and individual costs for those in the proposed service areas.

The Density Factor – This project has the potential of fundamentally changing the nature of our community. Liz Pedro looks to the future consequences of building a system.

Sewers Are Not Needed – In this article we address the need for sewers in Portsmouth and the principal alternative – A Wastewater Management District.

The New Budget – As we all know, the state and our town's residents are facing a grave economic trial. The state's unemployment rate is 12.4%, and is likely to climb higher before things improve, which is likely to further effect state funding to Portsmouth. Yet the Council has adopted a budget that assumes significant risks and avoids solving a number of known problems. We discuss its strengths and weaknesses.

Sewer Project Overview

(Larry Fitzmorris) The sewer project will go through a series of decision points before it is presented to the people for a vote. While the PCC believes that there is no need for this very expensive project, the Town Council will make a number of key decisions, which will decide the course we all take.

The Council will begin the process by deciding if the project is worthy of public consideration, as they do on all proposals presented to the voters. **Should they decide it is not, the project will end at that point.** If the Council decides to propose the project to the people, they will also have to decide which areas will be sewered and who among the town's citizens will vote on the project. These decisions and the shape of this venture as it unfolds will be influenced greatly by how the project is funded.

One of the principal decisions in the sewer project is the selection of coverage areas. In the draft 2009 Woodward & Curran Facilities Plan a number of existing neighborhoods in the Northern end of Portsmouth have been proposed for sewers. In addition, the Plan proposes inclusion of a number of yet to be developed areas of the West side. Since these homes do not yet exist, inclusion of West side areas complicates the generation of revenue to pay for the construction of the system.

The West and North End systems will each have wastewater treatment plants, located in the Tank farm 4 area for the West side and in the Founder's Brook area for the North End. It should be noted that Portsmouth does not own and may not be able to acquire either site.

The Facilities Plan proposes that the West side coverage areas be exempted from sewer taxes until actual homes are built. In the North End all lots will be taxed.

The North End Portsmouth neighborhoods proposed for the sewer areas are: Island Park, the Hummocks, Portsmouth Park, West of Chase Rd., Bristol Ferry/ Bay View and Common Fence Point. Common Fence Point, Island Park and other scattered areas will require low pressure sewer collection systems and therefore require property owners to install grinder pumps. Hookup costs in these areas will therefore be higher. The project will go through a series of decision points. While

not yet entirely identified, the following is a likely list of milestones:

- Completion of the Facilities Plan and review by the Council – Late August 2009
- Presentation of Plan at a Public Hearing – September 2009
- Selection by the Council of either a Sewer or Wastewater Management District solution

If Sewers is the Decision of the Council:

- Selection by the Council of system coverage areas
- Decision by the Council on who will pay for the system, and who will participate in the election
- Application by the Council to the Assembly to form a sewer district (after January 2010)
- Legislation by the Assembly, signed by the Governor, to establish sewer districts.
- Submission of Bond Proposal to the people for a vote

If voters approve the project:

- First bonds issued - 2011
- Begin system design - Jan 2012
- Approve design (Department of Environmental Management)
- Construction begins – January 2013
- Begin service – January 2015

The Cost of Sewers

(Larry Fitzmorris) – The cost of the sewer project is the one subject that advocates for this proposal generally prefer to avoid. That is because this proposed venture is far larger than any the town of Portsmouth has ever attempted and its impact on individual property owners is going to be severe. The PCC believes that the cost to town government, at a minimum of \$158 million, is beyond the ability of the Town of Portsmouth to manage. In addition, the average cost to individual property owners in the service areas, over the twenty-year period of the bond, is at least \$44,200. Those in Island Park, Common Fence Point and other isolated locations will also be paying an additional \$10,000 in direct hook-up costs in the first year of service. This level of expense will force many people in the service areas to sell their property and leave the town.

The cost of the proposed system is composed of four major areas: cost of design and construction, cost of borrowing, cost of operations and maintenance and cost of hook-up – paid directly by property owners. We in the PCC have been diligent in calculating estimates on both project and hook-up costs, and have posted them on our web site (www.portsmouthconcernedcitizens.org). We have used the proposed option that includes the North End and the West side systems because the West side is the major impetus for this project.

The case for actual pollution, as a justification for this project, is weak at best and is addressed in the article ‘Sewers Are Not Needed.’

Design and Construction Costs – This cost is currently estimated at \$104 million, although totals are expected to grow with further definition of the project. Construction is planned to begin on both the West and the North End systems at the same time, but West side property will be exempt from taxation until housing is built. In the North End, all homes and lots will be taxed. While actual costs for each neighborhood are still approximate, costs will shift to the North End ratepayers or the town in general until the West side is fully developed.

Cost of Borrowing – The cost of debt for this project is \$54.5 million calculated at an interest rate of 5%, although Federal spending may very well drive the rate up by the time any bonds are offered for sale. If the State picks up one-third of the interest costs, the town’s obligation will be reduced to \$36.5 million; but State budget woes put sewer subsidies in doubt.

Importantly, the level of debt required exceeds the state’s legal limit on Portsmouth’s maximum debt. The limit is 3% of the total value of property in the town. Based on the Portsmouth 2009 – 2010 total estimated property value, the limit is \$109 million. With the \$21 million of debt already on the books, the total of \$104 million for the capital costs of the sewer system would total \$125 million. The town would require action by the Assembly to exceed the limit. Any cost growth in current estimates, which are very likely, would make the situation worse. The idea of maximizing town debt is clearly unwise in the extreme, especially in the current economic climate. The state law exists to protect city and town taxpayers from over extension by its government.

Hook-Up Costs – Property owners will pay hook-up costs directly in the first year of service. These costs will vary significantly depending upon the service area. In the low lying areas of Common Fence Point and Island Park low pressure sewer collection systems will have to be used. Low-pressure systems require installation of grinder pumps and holding tanks at each home or business at a cost of about \$7,000. In all of the targeted areas, hook-ups will require new trenching, connection of building’s drains and state law required destruction of the old system. These costs are about \$3,000. So, North end hook-up costs will vary between \$3,000 and \$10,000. In some locations, such as the Hummocks, they will be much higher do to expected excavation difficulties.

Annual Costs – Maintenance and Operations costs for the sewer system are not yet clear. Estimates at present are \$2 million a year, which comes to about \$400 for each customer. Interest and principal payments will vary each year, with an average of \$369. So, total annual sewer bills for each customer will be about \$770. Maintenance costs for grinder pumps are the responsibility of the homeowner.

Cost Growth – The risk of cost growth in any large engineering project is significant. Bridge and highway projects are well known for exceeding budgets. This project would include a large number of unknown risks, including excavation in the sandy soils of Island Park and Common Fence Point, shale and rock structures in areas not expected,

damage to existing water mains and other infrastructure during construction, and so on. All are areas of potential overruns.

Competent project management is key to any effort of this scope. Even a ten percent overrun is a \$10 million increase in cost. The town, however, lacks any formal experience in this area among either its employees or its elected officials. Yet they will be making the decisions. It is important to note that other communities have had problems with sewer systems. North Smithfield, under pressure from costs and the level of disruption the construction has caused, has moved to restrict their sewer project to the areas already completed. Newport is an example of the maintenance risk of existing systems. The city has just issued a contract for \$13.78 million to repair a two mile long pressurized main that ruptured and dumped sewage into the harbor.

The sewer project proposed for Portsmouth constitutes a very large risk to solve a very small problem. The costs represent a sacrifice for all residents and a particular risk for those unable to afford the system. Make no mistake; we will sacrifice some of our citizens to install this system. The price is not worth the cost.

The Density Factor

(Liz Pedro) Sewer systems are actually infrastructure for developing cities. By implementing a sewer system, Portsmouth residents will experience increased density, traffic, services and costs that will severely impact the rural character of our town and change it forever.

There are already over 500 homes in Island Park and roughly 500 in Common Fence Point. The Town Planner has indicated that with sewers, there is potential for approximately 300 more structures to be built in each of those neighborhoods. That's an increase of 60% in Island Park and another 60% in Common Fence Point. Town Planning documents indicate that the open space around the cove in Island Park along route 24 will be developed into 50 condo units and a marina once the new Sakonnet Bridge is completed. Sewers will effectively make the most heavily populated areas in Portsmouth even more populated.

Many Portsmouth residents will not be able to afford the tax increases and costs associated with the sewer system and may have to sell their properties. Developers are likely to obtain these properties to build hotels and businesses on the waterfront, much like in Newport. Some Portsmouth Town Officials propose development as a way to ease our tax burden by increasing tax revenue from new business. However, Middletown and Newport have already tried that approach, yet did not experience the expected outcome. If sewers and the density they bring were answers to their tax problems, then taxes in Middletown and Newport would be much lower than that of Portsmouth, which is not the case. After all, West Main Road in Middletown is home to over 100 businesses, all within a two-mile span.

Let us take the same two-mile distance along West Main Road in Portsmouth. Do we really want to see over 100 businesses along this strip? Do we want to see another 50 businesses down a one-mile strip of Park Ave? Imagine 50 condominium

units and a marina along the cove. Based on our sister communities, we already know that development will not give us tax relief. However, we do know that it would give us increased traffic, taxes, congestion, beach closures and other unexpected expenses resulting in decreased quality of life.

Town officials also would like to convince residents that density could be controlled by adherence to local zoning laws. Those officials that say zoning laws will prohibit this kind of development also know that variances are routinely granted, especially to special interest groups and large-scale developers. For instance, O'Neill Property Groups (OPG) received their own special zoning code when they developed the Carnegie Abbey Residential Community.

Density cannot be controlled if the proposed sewer system is built. In fact, this sewer system actually promotes large-scale development because every vacant and otherwise undeveloped piece of property in the sewer area MUST be developed in order pay for it. The cost of the sewer system is calculated by taking the total cost of the system and dividing it by the number of households that will use it. The per household figure that was reached was based on BUILDINGS THAT DO NOT YET EXIST, on what is now hundreds of acres of pristine, OPEN SPACE.

Residents of Portsmouth have chosen to live here because they enjoy its unique rural character. If a sewer option is chosen for this community, life as we know it will become a fond memory replaced by the burdens resulting from the mistaken idea that building a city infrastructure will solve a localized minor shoreline pollution problem.

No Need for Sewers

(Bob Bledsoe & Larry Fitzmorris) – The sewer system recommended by the Woodward & Curran Facilities Plan is designed to solve potential problems, as opposed to known problems. While the study does mention the alternative of a Wastewater Management District, it presents a sewer system as the only answer. The simple fact is that the measurements of pollution do not indicate a problem requiring a \$158 million solution. The reason this project does not make sense is that the real objective driving the “need” for sewers is development of the West side and an island-wide sewer system.

The PCC has evaluated the need for sewers and believes that the case has not been made – and it is not even close. We acknowledge there is a problem in the waters of the north end, but it is very small and manageable by a Wastewater Management District. The assumption of a huge debt, damage to those residents who will have difficulty paying for the new service and the inevitable increase in density, make this choice an absurd conclusion.

The Department of Environmental Management (DEM) has *demand*ed Portsmouth install sewers to solve pollution problems. They have also offered sewers as a financial solution for those with cesspool replacement requirements under new state law. DEM intends the new system to aid West side development by providing infrastructure and to relieve

the pressure on the Middletown/Newport system by establishing an Island-wide sewage solution.

Pollution in Portsmouth coastal waters is caused by fecal coliform, human and animal. Reduction to acceptable levels can be discussed from two aspects: management of existing conditions and installation of sewers.

Management of Existing Conditions: Since it was founded, Portsmouth has disposed of sewage through the use of septic systems and cesspools. In addition, storm drains have been installed to facilitate surface water runoff. DEM has conducted annual tests of all discharges into the Sakonnet River and the Cove and has notified Portsmouth that the level of fecal coliform in some locations exceeds government standards. This situation is likely caused by:

- Faulty septic systems
- Illicit hook-ups to storm drains
- Cesspools closer than 200 feet from the water
- Animal fecal run-off

Levels of pollution and sources – There are about twelve locations on the east side that have outflows containing fecal coliform at levels of interest, but the readings have declined in recent years (2008). Although the decline may not be indicative of a trend, it is encouraging and demonstrates the value of the Storm Water Management Program, which is coordinated by the Town Planer's office and DPW. The program focuses on identifying and eliminating sources of pollution entering storm drains and flowing into North End waters. Success of this program alone may bring our pollution down to acceptable levels.

Approximately 250 cesspools are located within 200 feet of the shoreline in the proposed sewer areas. State law requires that these cesspools be replaced in the next few years. Private purchase of an advanced replacement system cost about \$25,000. The cost of sewers for these people is likely much higher around \$50,000 with hook-up costs. Sewers are just not financially viable as a solution for cesspool replacement.

Sewers: Another method of controlling fecal coliform pollution in our outflows into coastal waters could be sewers. But, Sewers are not necessarily the best solution to pollution problems, example Newport. Retrofitting sewers in an existing community is an extremely expensive (see "The Cost of Sewers") and highly disruptive undertaking. Communities attempting to install sewers have encountered cost over-runs and disruption to the degree that in North Smithfield for instance the project was recently stopped in mid-stream.

Properly maintained septic systems will last forever, while sewer systems require major periodic repairs. The system in Newport is an example: a large sewer line failed recently and caused untreated sewage to flow into the harbor. Major temporary repairs were required and an upgrade is now estimated at \$14 million. There is hardly a municipal sewer system in Rhode Island that has not experienced failures and significant flows of sewage into Narraganset Bay.

Wastewater Management District: A Wastewater Management District would oversee the private management of existing septic systems, resolve pollution sources and could assist those who must replace their cesspools with low interest loans and the coordinate purchase of advanced sewage treatment systems.

The consequence of saying no – DEM has aggressively presented sewers as the only answer, managed the outcome of the Woodward & Curran Facilities Plan to demonstrate the need and advocated for an island wide solution. We have reviewed the law with the Rhode Island Statewide Coalition (RISC) lawyers and believe that DEM does not have the authority to force sewers on Portsmouth. However, DEM does have the power to direct that a pollution problem be corrected, and we respect that authority.

PCC POSITION: After careful consideration of all of the information available, PCC supports the establishment of a Wastewater Management District (WMD) with the objective of continuing improvement of existing septic systems and increased monitoring and control of storm water drains. We do not have to build a massively expensive sewer system to solve our minor problem. Establishment of a Town-wide WMD is long overdue. Had a WMD been adopted as recommended 7 years ago by the Berger Report there would be no justification for talk of sewers in Portsmouth. Development on the West side remains the primary driving factor for this project. In our view, West Side Development should not be the reason to install sewers. The installation at the North End is proposed, we believe, to bankroll the costs on the West Side. Our citizens do not have a financial obligation to aid developers. Similarly, Middletown and Newport need additional sewer capacity, but we fail to see why that is our financial problem, either. Why should the taxpayers of Portsmouth risk changing our town forever and assume a huge financial obligation to resolve someone else's problem?

The New Budget

(Larry Fitzmorris) With a 6:0:1 vote on June 23 the Council adopted the new budget in its final form. Ms. Gleason abstained, objecting to the use of unrealized concessions from the town's unions. While this budget contains spending levels that would be considered good in past years, we all know that hard economic days are yet ahead of us and this plan has a number of shortcomings. It is, in short, a high-risk budget.

- Fund Balance Depleted by \$240,000 at end of 08-09 budget
- Taxes increased at the maximum (under the Cap)
- A deficit budget
- No contribution to the Fund Balance in violation of the agreement with the Bonding agencies and town ordinance
- Failure to increase contributions to the Retirement Benefits Fund, which now has a deficit of \$13 million.

The FY 09 – 10 spending plan is a continuation of the status quo budgets of the last few years. The Council has simply adjusted spending to fit the budget under the tax cap imposed

by state law. In order to avoid the difficult decisions made in a number of other Rhode Island communities, the Council also reduced reserves and adopted a deficit budget. This budget also increases property taxes, in a difficult year for our citizens, to replace the losses in state revenue. Property taxes will increase at the maximum possible under the tax cap.

The Council has avoided the much-needed restructuring of costs that has been needed for some time. The salary and benefit structures remain unchanged and continue to dramatically exceed the growth in revenues. The Council's contingency fund was virtually eliminated and approximately \$600,000 in deficit spending has been adopted. Projected State revenues have fallen dramatically short in the last two fiscal years, and have been the primary source of Portsmouth budget shortfalls. To expect this trend to change, as we enter the most difficult months of the recession, is unrealistic. Yet the Council assumes stability in state revenue in the way it has structured this budget. The Council also decided against a contribution to the Fund Balance (our already depleted reserve). It has also reduced its own contingency fund. The Council took both actions because of budget pressures, but the decisions greatly reduce its flexibility in the coming year.

The town will begin the year with a \$596,770 deficit. In both the municipal and school department budgets, future union concessions on salary costs are included. The teacher's union and the police, fire and public works unions are currently negotiating reductions in contact costs with the town, but at this point, none has agreed. For the school department the estimate is \$356,770 and there is another \$240,000 for the police, fire and public works unions combined. If the town fails to realize those reductions, in whole or in part, the remainder will be taken either from the discretionary part of the budget, which is typically about 25% of expenditures, or the Fund Balance.

Basic Budget Data

Total Budget Increase	1.42%
School Department Increase	2.89%
Municipal Departments Decrease	-1.21%
Mil Rate Increase	3.92%
Levy Increase (Tax Cap)	4.75%

As can be seen in the table above, the tax levy will increase at the maximums allowable under the law, without an appeal by the Council to the state. An appeal is unlikely because it would require six of seven affirmative votes on the Council. The reason that property taxes are going up much faster than spending, an unusual situation, is because of the loss of state revenue. The Council is using property taxes to replace most of those losses.

This is going to be a difficult fiscal year in Portsmouth and the Council has placed some heavy bets. We all, of course, wish

them success but best wishes are not a sound basis for running a town. If things do not work out the Council will again deplete the Fund Balance. Our elected officials, however, are not the only ones taking a risk. For some years the PCC has advocated a rebuilding of the Fund Balance shortage (now about \$2,800,000) in the belief that if the shortfall persists it is eventually going to be corrected with a huge increase in property taxes. As we all know by now, when town government fails to manage efficiently, we pick up the tab.



THE MONEY TRAIL WEB SITE

<http://www.themoneytrail.org/>

The Rhode Island Statewide Foundation has launched its new transparency web site. The site contains state and local governmental information, including budgets, contracts, planning documents and education data. For the first time interested citizens have a site providing easy access to the local and state documents so critical to understanding our governments.

www.risc-ri.org

YOU MAKE A DIFFERENCE!

JOIN PORTSMOUTH CONCERNED CITIZENS

HELP US HELP YOU

**Call Drena Robicheau at 847-1098
Or use the membership form in this Newsletter**

