

9.0 Financial Capability Analysis

This section presents the financial considerations and requirements that were evaluated to determine the feasibility of the various CSO control alternatives in the City of Newport.

9.1 Introduction

The USEPA *Combined Sewer Overflows – Guidance for Financial Capability Assessment and Schedule Development* document, dated February 1997, provides guidance for financially evaluating CSO control alternatives within municipalities. This document is included in Appendix H. This section describes the results of the assessments performed in accordance with the EPA Guidance document.

9.2 Key Assumptions

The financial capability analysis was performed solely for the City of Newport, which in the Fiscal Year (FY) 2008 accounted for 64.7% of the total influent flow to the Water Pollution Control Plant (WPCP). This is also the community in which the work is to be performed. The following entities accounted for the remaining 35.3% of the total flow during FY 2008:

- Town of Middletown, RI – 25.7% of flow at the plant, has connections at Wave Avenue and Coddington Highway and is billed for a fixed percentage of costs. There is an intermunicipal agreement whereby Middletown is allocated costs for the WPCP, the Long Wharf Pumping Station, and the Washington Street CSO facility.
- Navy – 9.4% of flow at the plant has several connections and is billed for plant operational costs and administrative salaries and benefits based on a percentage of flow. The Navy connection at Fort Adams which flows through the Wellington Avenue facility per agreement is billed monthly by a sewer use charge based on water consumption.
- Raytheon – 0.2% of flow; billed at a set rate of \$17.50 per 1,000 gallons.

Each entity utilizes different facilities within the City of Newport, and consequentially different payment agreements have been set up for each entity. Because these agreements are of varying complexity, and because none of the other entities currently pay for costs associated with the Wellington Avenue facilities, calculations in this report have been performed as though Newport has full responsibility for the costs of wastewater treatment and any proposed CSO control work. However, although all costs are being apportioned to Newport for the purposes of this report, some of the costs may be the responsibility of other entities. This will need to be the subject of future discussion and negotiation between the City of Newport and the entities which utilize Newport's facilities.

In FY 2008, according to information provided by the City of Newport, residential flow accounted for 91.7% of total Newport flow. This report proportionally assumes that 91.7% of Newport's cost will be the responsibility of the residents, and uses this percentage as a basis for determining financial impact.

Because the City of Newport accounts for a majority of the flow, this report also assumes the following:

- The benchmark and financial indicators for Newport will be indicative of the benchmarks for the other entities utilizing the service. These indicators, discussed in more detail later in this section, include the following:
 - ◆ Cost per household of current and projected costs of wastewater treatment and Combined Sewer Overflow control measures, as a percent of median income
 - ◆ Bond ratings
 - ◆ Net debt as a percent of full market property value
 - ◆ Unemployment rate
 - ◆ Median household income
 - ◆ Property tax as a percent of full market property value
 - ◆ Property tax revenue collection rate
- The financial indicators for the City of Newport will outweigh those of the other entities, if different.

In addition, the following key assumptions were made when completing the financial capability analysis:

- When operation and maintenance costs were provided in a lump sum or on a yearly basis for a number of sequential years, the annual cost was determined by averaging these costs. This annual number was then used when completing the financial analysis calculations.
- The financial analysis assumes that both the number of users and the average annual wastewater flow will not change significantly in the near future, either for the City of Newport or for the entities utilizing the Newport wastewater and CSO systems.
- The January 2009 national unemployment rate was obtained from the Bureau of Labor Statistics' website; the City of Newport and Newport County unemployment rates for January 2009 were obtained from the Rhode Island Department of Labor and Training website. This report assumes these numbers are accurate and are reasonable to use for comparison purposes.
- Household income data were taken from US Census website, using the 2005 US Census Estimate. This report assumes that this is an accurate and reasonable number to use when completing calculations.
- Significant portions of the data were obtained from the City of Newport by direct inquiry of municipal staff. Data were also retrieved from the published recommended 2008 Capital Improvement Plan (CIP). An assumption has been made that these data are accurate and more reasonably reflect current conditions than outdated surveys and censuses. In cases where recent data were unavailable, the most recent data available were used.

- Many of the projects in the proposed Capital Improvement Program anticipate financial support from outside entities, such as State and Federal sources. Though the current financial climate suggests that some changes may be necessary, it is not possible to quantify those possibilities so unless otherwise noted, it is assumed that the financial support from these outside entities will remain unchanged.
- When completing the financial analysis, it was assumed that the money needed to implement the chosen CSO control alternative would be repaid over a period of 20 years at an average annual interest rate of 6%.
- An average annual 6% inflation rate was assumed for determining the present worth of the operation and maintenance costs which would be incurred over a period of 20 years.

9.3 Projected Revenue Requirements, Financing, and Rate Impacts

The City of Newport’s Capital Improvement Program (CIP) dated January 4, 2008 details the plans which are accepted by the City council in concept for the period 2009 through 2013 and are subject to budget approval. Data copied from this report can be found in Table 9.1, which lists projected revenues and expenditures. Figure 9.1 depicts the project expenses and deficits through the end of 2013. The information within the CIP is intended to be used for future forecasts and planning purposes, and is not intended to assign or presuppose property tax increases.

**TABLE 9.1
CAPITAL IMPROVEMENT PROGRAM 2009-2013**

Fiscal Year Ending ⁽¹⁾	Expenses ⁽²⁾	Debt ⁽³⁾ Service	Capital ⁽⁴⁾ Improvements	Total	Local Taxes ⁽⁵⁾	State Aid	Revenues		Excess (Deficit) of Revenue over Expense
							----- Other Sources ⁽⁶⁾	Total	
2008	71,374,598	2,083,731	2,955,000	76,413,329	60,777,047	5,610,249	10,026,033	76,413,329	-
2009	73,515,836	2,069,746	3,442,500	79,028,082	60,877,047	5,610,249	10,326,814	76,814,110	(2,213,972)
2010	75,721,311	2,037,041	2,585,000	80,343,352	60,977,047	5,610,249	10,636,618	77,223,914	(3,119,438)
2011	77,992,950	1,897,248	2,590,000	82,480,198	61,077,047	5,610,249	10,955,717	77,643,013	(4,837,185)
2012	80,332,739	1,847,993	2,849,000	85,029,732	61,177,047	5,610,249	11,284,388	78,071,684	(6,958,047)
2013	82,742,721	1,780,262	2,534,000	87,056,983	61,277,047	5,610,249	11,622,920	78,510,216	(8,546,767)

⁽¹⁾FY 2008 Budgeted; FY 2009-2013 Proposed

⁽²⁾Assumes an annual increase of 3.0%

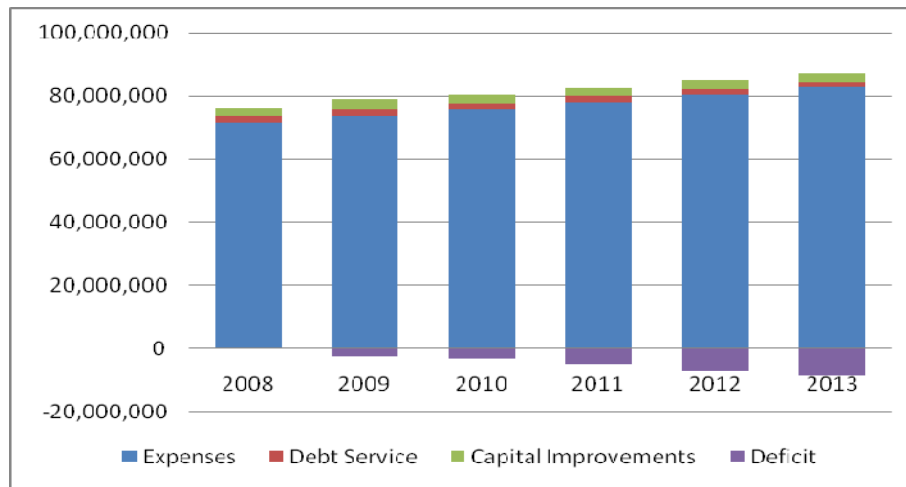
⁽³⁾Committed debt service expenses

⁽⁴⁾Proposed capital improvements

⁽⁵⁾Increase due to the meals and beverages tax are estimated at \$100,000 per year. Tax rate increases have not been projected

⁽⁶⁾Assumes an annual increase of 3.0%. Variations of other CIP revenues projected in Table 2 of the CIP

**FIGURE 9.1
PROJECTED EXPENSES AND DEFICIT THROUGH 2013**



The table and graph depict a growing annual increase in the budget deficit in Newport assuming that everything in the Capital Improvement Plan is adopted, which may or may not be the case. The City expects that tax revenue may need to be adjusted to make up for this deficit. In addition, many of the projects proposed as part of the Capital Improvement Program anticipate funding from the State, which funding is subject to change in the future pending economic conditions. In order to minimize impact on the City of Newport and its residents, it is critical that the most cost-effective method is chosen and that the financial implications of the proposed CSO control alternative to the residents of the City and to the City itself are analyzed.

9.4 USEPA Financial Capability Analysis

The USEPA assessment is completed in two phases. The first phase assesses the financial impact of CSO control alternatives on residents, and the second phase assesses the overall financial capability of the City of Newport. A USEPA assessment was performed for each CSO control alternative. The Financial Capability Analysis for the recommended alternative is provided in detail in this section, along with a summary of the analyses results of the other alternatives.

9.4.1 Phase One: The Residential Factor

The first phase of the financial capability analysis is to determine the financial impact the implementation of CSO controls may have on residential users. To do this current and projected municipal costs, including the costs associated with additional CSO control measures, are compared to the median household income for the City. The level of financial impact is then determined, as described below.

9.4.1.1 Cost per Household

The Cost per Household (CPH) was determined by totaling the current and projected costs of wastewater treatment and CSO control measures. Projected costs took into account the expenses of each proposed alternative, and therefore varied slightly by alternative. This amount was then multiplied by the proportion of the flow that is allotted to the City of Newport, and then divided by the number of residences in the City. The CPH for the recommended alternative, Sewer Separation and Storage, is summarized in Table 9.2.

**TABLE 9.2
ANNUAL COST PER HOUSEHOLD (CPH)**

Row ¹	Item	Unit	Value
Current WWT Costs			
100 ²	Annual Operations and Maintenance (O&M) Expenses (excluding depreciation)	(\$)	5,007,000 ³
101	Annual Debt Service (Principal and Interest)	(\$)	1,159,000 ³
102	*Subtotal*	(\$)	6,166,000
Projected WWT and CSO Costs (Current Dollars)			
	Non-CSO Project O&M Costs	(\$)	305,000 ³
	Estimated Annual O&M Costs for CSO	(\$)	15,214 ⁴
103	(Total) Estimated Annual O&M Expenses (excluding depreciation)	(\$)	320,214
	Current Annual Debt Service (Principal and Interest)	(\$)	954,148 ³
	Estimated Annual Debt Service for Washington Street Studies	(\$)	104,621 ⁴
	Estimated Annual CSO Debt Service	(\$)	5,360,458 ⁴
104	(Total) Annual Debt Service (Principal and Interest)	(\$)	6,419,227
105	*Subtotal*	(\$)	6,739,441
Total			
106	Total Current and Projected WWT and CSO Costs	(\$)	12,905,441
Residential Information			
	Percentage of Newport Flow From Newport Residences	(%)	91.7
107	Residential Share of Total WWT and CSO Costs	(\$)	11,837,230 ⁴
108	Total Number of Households in Service Area		8,444 ³
109	Annual Cost Per Household (CPH)	(\$)	1,402 ⁴

¹ This is terminology utilized in the USEPA Guidance document worksheets to determine the financial benchmarks and indicators

² Row numbers have been designated by the USEPA for particular items

³ Information provided by the City of Newport

⁴ Information calculated by AECOM

9.4.1.2 Median Household Income Estimate

The adjusted Median Household Income (MHI) estimate was calculated using the CPH, the median household income, and the median household income adjustment factor. Data from the 2005 US Census Estimate were used to establish the MHI for this calculation. The MHI adjustment factor was calculated using an equation from the USEPA Guidance Document and from the Consumer Price Index Historical Table. This calculation takes into account the CPH, and therefore is dependent upon the CSO control alternative that is chosen. Table 9.3 summarizes the number used to calculate the adjusted MHI for the Sewer Separation and Storage alternative.

**TABLE 9.3
MEDIAN HOUSEHOLD INCOME (MHI)**

Row	Item	Unit	Value
201	Census Year MHI	(\$)	56,937 ¹
	Census Year		2005, Estimated ¹
202	MHI Adjustment Factor		1.10 ²
203	Adjusted MHI	(\$)	62,701
204	Annual Cost Per Household (previously calculated)	(\$)	1,402
Residential Indicator			
205	CPH as a percent of adjusted MHI	(%)	2.24

¹ Source: US Census Bureau for Newport County

² Calculated using the average Consumer Price Index of 2.67 from 2005 to 2008

9.4.1.3 Analysis of Residential Indicator

Per the USEPA Guidance document, the Financial Impact to residences was determined using the matrix in Table 9.4.

**TABLE 9.4
FINANCIAL IMPACT MATRIX**

Financial Impact	Residential Indicator (CPH as % of MHI)
Low	Less than 1.0 Percent of MHI
Mid-Range	1.0 – 2.0 Percent of MHI
High	Greater than 2.0 Percent of MHI

According to this matrix, Sewer Separation and Storage will have a “High” financial impact. The results for each alternative, including Cost per Household, Residential Indicator, and Financial Impact, are listed in Table 9.5.

9.4.2 Phase Two: City of Newport Financial Indicators

The second phase of the financial capability analysis is to determine the financial capability of the City of Newport by evaluating the community’s financial health. The Phase Two assessment includes two benchmarks in each of the following categories: debt indicators, socio-economic indicators, and financial management indicators.

9.4.2.1 Debt Indicators

Two debt indicators are used to assess the current debt burden conditions and the ability to issue new debt. These indicators are: 1) bond rating; and 2) overall net debt as a percent of full market property value.

**TABLE 9.5
FINANCIAL IMPACT OF EACH ALTERNATIVE**

Alternatives	Total Cost (\$)	Cost per Household (\$)	Residential Indicator (%)	Financial Impact
Centralized Storage	12,797,217	1,390	2.22	High
Decentralized Storage	16,753,970	1,820	2.90	High
Conveyance to Long Wharf-Sub-aqueous Route	<u>14,359,436</u>	1,560	2.49	High
Conveyance to Long Wharf-Overland Route	13,481,041	1,464	2.34	High
Conveyance to WPCP – Sub-aqueous Route	17,548,352	1,906	3.04	High
Conveyance to WPCP - Overland Route	<u>14,877,809</u>	1,616	2.58	High
Sewer Separation: Full Replacement	<u>22,044,466</u>	2,395	3.82	High
Sewer Separation and Storage	<u>12,905,441</u>	1,402	2.24	High

Bond Ratings

Bond ratings are used to determine a community’s ability to issue new debt. General obligation bond ratings are a reflection of a community’s financial and socio-economic conditions, while revenue bond ratings reflect the financial capability of the wastewater utility. The City of Newport has written debt policies that are outlined in the City budget under financial policies. The City of Newport has acquired bond ratings for both general obligation bonds and for revenue bonds. In 2007, Moody’s investment services rated the City as Aa3, reflecting strong fiscal and socio-economic conditions. In 2008, Standard & Poor’s rated the water utility as A+, reflecting a strong capability. Please refer to Tables 9.6 and 9.7 for an overview of the companies’ available ratings and how they reflect a community’s creditworthiness. Overall, the City of Newport’s indicators are considered “strong” by the USEPA criteria. Table 9.8 summarizes the bond ratings for the City of Newport.

**TABLE 9.6
BOND RATINGS AND CREDITWORTHINESS**

Moody's	Standard & Poor's	Creditworthiness
Aaa	AAA	Credit risk almost zero.
Aa1	AA+	Safe investment, low risk of failure.
Aa2	AA	
Aa3	AA-	
A1	A+	Safe investment, unless unforeseen events should occur in the economy at large or in that particular field of business.
A2	A	
A3	A-	
Baa1	BBB+	Medium safe investment. Occurs often when economy has deteriorated. Problems may arise.
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	Speculative investment. Occurs often in deteriorated circumstances, usually problematic to predict future development.
Ba2	BB	
Ba3	BB-	
B1	B+	Speculative investment. Deteriorating situation expected.
B2	B	
B3	B-	
Caa	CCC	High likelihood of bankruptcy or other business interruption.
Ca	CC	
C	C	
	D	Bankruptcy or lasting inability to make payments most likely.

Source: http://en.wikipedia.org/wiki/Bond_credit_rating

**TABLE 9.7
USEPA BENCHMARKS FOR BOND RATINGS**

Ratings	Moody's Investor Services	Standard & Poor's
Strong	Aaa-A	AAA-A
Mid-Range	Baa	BBB
Weak	Ba-C	BB-D

**TABLE 9.8
USEPA BOND RATING WORKSHEET**

Row	Item	Value¹
301	<u>Most Recent General Obligation Bond Rating</u>	
	Date	2007
	Rating Agency	Moody's
	Rating	Aa3
302	<u>Most Recent Revenue (Water/Sewer) Bond</u>	Water
	Date	Aug-08
	Rating Agency	Standard & Poor's
	Rating	A+
303	Summary Bond Rating	A+
	Benchmark	Strong

¹ Information provided by the City of Newport

Net Debt as a Percent of Full Market Property Value

The net debt as a percent of full market property value is determined by dividing the level of debt owed by the City of Newport by the market value used to support that debt. This percentage serves as a measure of financial wealth of the City of Newport.

The direct net debt is a total of the amount of tax backed bond debt for all taxing units across Newport that is not supported by revenue generated by user fees. According to the City of Newport, the direct net debt of Newport was \$30.2 million, per the FY 2008 City of Newport Comprehensive Annual Financial Report. Overlapping debt is debt from entities which are partially supported by the Newport service area. The direct net debt stated above includes bonds in the amount of \$12 million approved for major roadway projects, but does not include approximately \$25 million not yet approved that will be needed in the next few years for school consolidations. Debt of overlapping entities would account for money owed if entities such as a regional school district had incurred debt for which the City of Newport were partially responsible. The full market value of the property within Newport was assessed at \$6.1 billion. The percentage of net debt to full market property values therefore equals 0.49%. Table 9.9 provides the USEPA Benchmarks for net debt. The Newport percentage of 0.49 is less than the 2% benchmark cut-off. Therefore, based on Table 9.10 this indicator is considered “strong” by the USEPA.

**TABLE 9.9
USEPA BENCHMARKS FOR NET DEBT AS A PERCENT OF
FULL MARKET PROPERTY VALUE**

Ratings	Net Debt
Strong	Below 2%
Mid-Range	2% to 5%
Weak	Above 5%

**TABLE 9.10
USEPA WORKSHEET FOR NET DEBT AS A PERCENT OF
FULL MARKET PROPERTY VALUE**

Row	Item	Value
401	Direct Net Debt	\$ 30,241,388 ¹
402	Debt of Overlapping Entities	-
403	Overall Net Debt	\$ 30,241,388 ¹
404	Market Value of Property	\$6,134,949,078 ¹
405	Overall Net Debt as %	0.49% ²
	Benchmark	Strong

¹ Information provided by the City of Newport

² Calculated value

9.4.2.2 Socio-Economic Indicators

Two socio-economic indicators of unemployment and median household income are used to assess the economic well being of the users within the City of Newport: 1) unemployment rate; and 2) median household income.

Unemployment Rate

The unemployment rate is defined as the percentage of a community's residents that are on the unemployment rolls. The unemployment statistics used in this section are the current official published information as of the end of January 2009. There have been reports that the unemployment numbers have continued to rise in February and, given recent trends and the projected continued local, regional and national economic difficulties, we expect that the unemployment trend is likely to continue upward for some period to come.

According to the Rhode Island Department of Labor and Training website, the City's unemployment rate in January 2009 was 11.2%, which is 0.40% more than the County's January 2009 unemployment rate of 10.8%, and 3.6% more than the national average January 2009 unemployment rate (from the US Bureau of Labor Statistics' website) of 7.6%. Table 9.11 provides the USEPA Benchmarks for unemployment rates.

**TABLE 9.11
USEPA BENCHMARKS FOR UNEMPLOYMENT**

Ratings	Unemployment Rate
Strong	<1% below National Average
Mid-Range	±1% of the National Average
Weak	>1% above National Average

Table 9.12 provides the City, county, and national unemployment rate. The City of Newport’s unemployment rate is more than 1% above the national average, therefore this indicator is considered “weak” by the USEPA.

**TABLE 9.12
USEPA WORKSHEET FOR UNEMPLOYMENT RATE**

Row	Item	Value
501	Unemployment Rate – City of Newport	11.2% ¹
502	Unemployment Rate - County	10.8% ¹
503	Average National Unemployment Rate	7.6% ²
	Benchmark	Weak

¹ Source: Rhode Island Department of Labor and Training
² Source: United States Bureau of Labor Statistics

Median Household Income (MHI)

Median household income is defined as the average amount of income, in dollars, received per household within a community during a calendar year. The adjusted median household income in 2008 of the City of Newport was \$62,701, over \$11,000 more than the adjusted national average. The median household income of the City of Newport is 23% greater than the national average; therefore, this indicator is considered mid-range by the USEPA. Tables 9.13 and 9.14 provide the USEPA Benchmarks for Median Household Income and the USEPA Median Household Income Worksheet, respectively.

**TABLE 9.13
USEPA BENCHMARKS FOR MEDIAN HOUSEHOLD INCOME**

Ratings	Median Household Income
Strong	>25% Above Adjusted National MHI
Mid-Range	±25% of Adjusted National MHI
Weak	>25% Below Adjusted National MHI

**TABLE 9.14
USEPA WORKSHEET FOR MEDIAN HOUSEHOLD INCOME**

Row	Item	Value
601	Median Household Income – Newport (2005)	\$62,701 ¹
602	Census Year National MHI (2005)	\$46,326 ¹
603	MHI Adjustment Factor	1.10 ²
604	Adjusted National MHI	\$51,016
Comparison to National Average		23% Above
	Benchmark	Mid-Range

¹ Source: US Census Bureau

² Calculated using the average Consumer Price Index of 2.67 from 2005 to 2008

9.4.2.3 Financial Management Indicators

There are two financial management indicators which are used to help determine the financial management ability of a community. These are: 1) property tax revenue as a percentage of market value of real property; and 2) property tax revenue collection rate.

Property Tax as a Percent of Full Market Property Value

This indicator is calculated by dividing the property tax revenues of the City by the full market value of real property. This is also referred to as the property tax burden because it indicates the funding capacity available to support debt based financing as well as reflecting on the effectiveness of management in providing community services.

The property tax burden for the City of Newport is 0.9%. This is below 2%, therefore, this indicator is considered “strong” by the USEPA. Refer to Tables 9.15 and 9.16 for USEPA Benchmarks for Property Tax as a Percent of Full Market Property Value and for the USEPA Worksheet for Property Tax as a Percent of Full Market Property Value, respectively.

**TABLE 9.15
USEPA BENCHMARKS FOR PROPERTY TAX REVENUES AS A
PERCENT OF FULL MARKET PROPERTY VALUE**

Ratings	Property Tax Revenues as a Percent of Full Market Property Value
Strong	Below 2%
Mid-Range	2% to 4%
Weak	Above 4%

**TABLE 9.16
USEPA WORKSHEET FOR PROPERTY TAX REVENUES AS A
PERCENT OF FULL MARKET PROPERTY VALUE**

Row	Item	Value¹
701	Full Market Value of Real Property	\$6,134,949,078 ¹
702	Property Tax Revenues	\$55,036,635 ¹
703	Property Tax Revenue as % of Full Market Property Value	0.9% ²
	Benchmark	Strong

¹ per FY 2008 City of Newport Comprehensive Annual Financial Report
² Calculated value

Property Tax Revenue Collection Rate

The rate of property tax collection is an indicator of the efficiency of the tax collection system and the acceptability of the tax levels to the residents of the City of Newport. The City of Newport has a collection rate of 97.71%, which is considered “mid-range” by the USEPA. Refer to Tables 9.17 and 9.18 for USEPA Benchmarks on Property Tax Revenue Collection Rate and the Property Tax Revenue Collection Rate worksheet, respectively.

**TABLE 9.17
USEPA BENCHMARKS FOR PROPERTY TAX
REVENUE COLLECTION RATE**

Ratings	Property Tax Revenue Collection Rate
Strong	Above 98%
Mid-Range	94% - 98%
Weak	Below 94%

**TABLE 9.18
USEPA WORKSHEET FOR PROPERTY TAX
REVENUE COLLECTION RATE**

Row	Item	Value
801	Property Tax Revenue Collected	\$55,036,635 ¹
802	Property Taxes Levied	\$56,325,863 ¹
803	Property Tax Revenue Collection Rate	97.7% ²
	Benchmark	Mid-Range

¹ per FY 2008 City of Newport Comprehensive Annual Financial Report
² Calculated value

9.4.2.4 Analysis of Financial Capability Indicators

The indicators described in the previous sections are compared to a national average to determine the financial capability and health of a community. Table 9.19 provides a method of scoring each benchmark. Table 9.20 provides a summary of these indicators, the score assigned to Newport, and the associated benchmark score. Scores are averaged to determine an overall score for a community.

**TABLE 9.19
USEPA BENCHMARK**

Benchmark	Score
Strong	3
Mid-Range	2
Weak	1

**TABLE 9.20
FINANCIAL CAPABILITY SCORES**

Indicator	Strong	Mid-Range	Weak	Newport Value	Benchmark	Score
Bond Rating	Aaa-A (Moody's) AAA-A (S&P)	Baa (Moody's) BBB (S&P)	Ba-C (Moody's) BB-D (S&P)	Aa3 (Moody's) A+ (S&P)	Strong	3
Net Debt	Below 2%	2% to 5%	Above 5%	0.49%	Strong	3
Unemployment Rate	>1% below National Average	±1% of the National Average	>1% above National Average	3.6% Above	Weak	1
Median Household Income	>25% Above Adjusted National MHI	±25% of Adjusted National MHI	>25% Below Adjusted National MHI	23%	Mid-Range	2
Property Tax Revenues as a % of Full Market Property Value	Below 2%	2% to 4%	Above 4%	0.9%	Strong	3
Property Tax Revenue Collection Rate	Above 98%	94% - 98%	Below 94%	98%	Mid-Range	2
Average						2.33

9.4.3 Overall Financial Capability

The overall financial capability of a community is determined using a matrix comparing the Residential Indicator determined in 9.4.1 to the Financial Capability Score determined in 9.4.2. This matrix is provided in Table 9.21. The Newport Average Financial Capability Indicator Score is 2.3 for all CSO alternatives, which the USEPA has determined to be a “mid-range” score. The Financial Impact for the various CSO alternatives, as previously shown in Table 9.5 a “High Burden” would be imposed by the implementation of any of the alternatives, as defined by the USEPA. Table 9.21, illustrates the matrix provided by the USEPA for assigning burden categories. Table 9.22 provides the financial burden that each alternative would place on the City.

TABLE 9.21
SUMMARY OF FINANCIAL CAPABILITY INDICATORS PER USEPA GUIDANCE

Newport Financial Capability Indicators Score (Socio-Economic, Debt, and Financial Indicators)	Residential Indicator (Cost Per Household as a % of MHI)		
	Low (Below 1.0%)	Mid-Range (Between 1.0% and 2.0%)	High (Above 2.0%)
Weak (Below 1.5)	Medium Burden	High Burden	High Burden
Mid-Range (Between 1.5 and 2.5)	Low Burden	Medium Burden	High Burden
Strong (Above 2.5)	Low Burden	Low Burden	Medium Burden

TABLE 9.22
FINANCIAL CAPABILITY SCORE FOR EACH ALTERNATIVE

Alternatives	Residential Indicator		Financial Capability Indicators Score		Overall
	Value	Score	Value	Score	Burden Category
No Action	1.29%	Mid-Range	2.33	Mid-Range	Medium Burden
Centralized Storage	2.22%	High	2.33	Mid-Range	High Burden
Decentralized Storage	2.90%	High	2.33	Mid-Range	High Burden
Conveyance to Long Wharf- Sub-aqueous Route	2.49%	High	2.33	Mid-Range	High Burden
Conveyance to Long Wharf- Overland Route	2.34%	High	2.33	Mid-Range	High Burden
Conveyance to WPCP – Sub-aqueous Route	3.04%	High	2.33	Mid-Range	High Burden
Conveyance to WPCP - Overland Route	2.58%	High	2.33	Mid-Range	High Burden
Sewer Separation: Full Replacement	3.82%	High	2.33	Mid-Range	High Burden
Sewer Separation and Storage	2.24%	High	2.33	Mid-Range	High Burden

Note: Flow Metering, SSES, and Modeling at the Washington St Facility are included in this evaluation
This addition had no impact on the final scores or burden categories for any of the alternatives.

9.5 Summary

Implementation of the Sewer Separation and Storage CSO Control Plan for the Wellington Avenue area will place a financial and economic burden on the City of Newport, as well as the other entities that utilize the City's wastewater and CSO system. Based upon the USEPA's guidance and definitions of burden, the economic and financial burden on Newport residents utilizing the system will be "High". This is an important consideration, especially in light of the growing annual budget deficit projected in the City. Although the combination alternative of sewer separation and storage is recommended because it is environmentally effective and one of the most cost-effective, each CSO alternative was also reviewed per the EPA Guidance. In accordance with this Guidance, each alternative evaluated would put a "High Burden" on the residents.