The total project cost is estimated at $1.5 million, which serves as the baseline for the analysis that follows. The numbers are intended as conservative estimates.

Projected residential water rate impact

The projected impact is expressed in both annual and monthly costs – likely the way most households and businesses manage their respective budgets. It should be noted that water users are billed on a quarterly basis.

The table below shows the estimated impact for the average residential water user in Hinesburg in what is generally regarded as the, "worst-case scenario."

Also included are the annual operating and maintenance costs associated with the proposed ion exchange (salt-based) water treatment system.[1] Treatment will remove iron and manganese and soften water prior to distribution. Hinesburg does not currently treat water prior to distribution to water users.

Impact on average residential water user

	Average residential water bill ("current")[2]	**Average increase due to water supply and treatment bond**	**Average increase due to operation and maintenance costs[3]**	**Total water bill ("new")**	**Difference from current**
Annual	$498.00	$125.25	$24.69	$647.94	$149.94
Monthly	$41.50	$10.44	$2.06	$54.00	$12.50

[1] The annual operating and maintenance costs were updated on 10/31/14. The early estimates used a salt price for an ion exchange system of $0.025/lb, the regional price for salt in the western United States, where the vendor is located. The update uses the regional (northeast) price for salt, which is $0.0625/lb. The annual cost increases from nearly $11,000 to $17,800 (divided by 721 water users = $24.69 per user per year). The total change per year is an estimated $10 from the prior estimate.

[2] Based on 2,000 cubic feet (cf). Fixed charge (first 500 cf) @ $72.00/quarter + variable charge @ $52.50/quarter = $124.50/quarter.

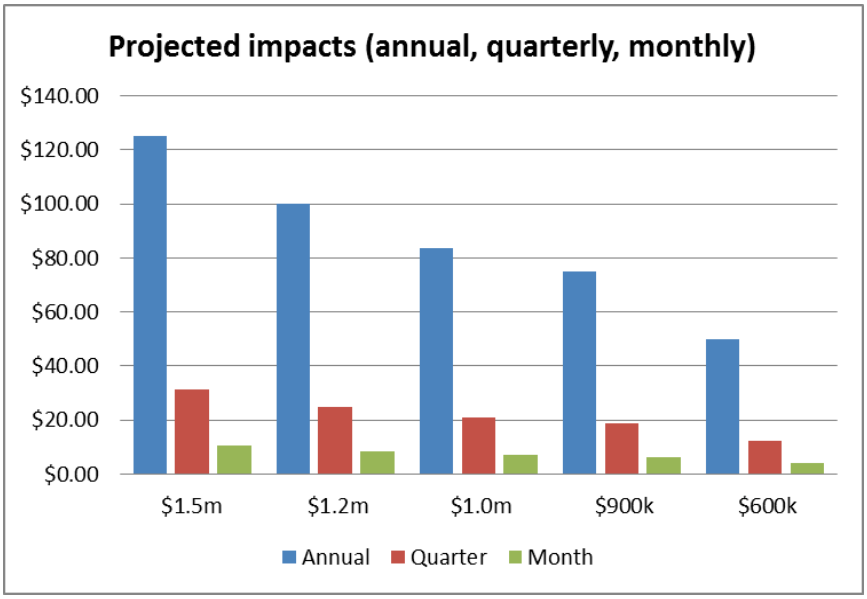
[3] See footnote #1.

This estimate assumes that the debt is applied evenly across water system users – both residential and commercial. Commercial users can estimate their costs by adding the base increases from the table ($125.25/year for the project, $24.69/year for operation and maintenance costs) to their respective water bills.

There are ways in which the impact on water users could be lessened, either by reducing the amount borrowed or generating revenue from new users (such as the implementation of an allocation fee). For example, application of legal settlement funds related to MTBE contamination in the existing wells, conservatively estimated at $300,000, could be used to reduce the amount borrowed to $1.2 million.

Removing the water treatment component has been discussed as a way to reduce the project cost. The treatment system is an estimated $600,000 of the total project cost of $1.5 million. If treatment is removed from the project, water system users would still need in-home treatment systems to remove iron and manganese (which causes discoloration) and to soften the water (hardness causes scaling and can create issues with hot water heaters and other appliances). Costs to operate in-home water treatment systems have been estimated between $100 and $200 annually, not including purchase and installation.

The graphic, which shows the impact on residential water users at various levels of borrowing, includes two scenarios ($900,000 and $600,000) where treatment is removed from the project cost.



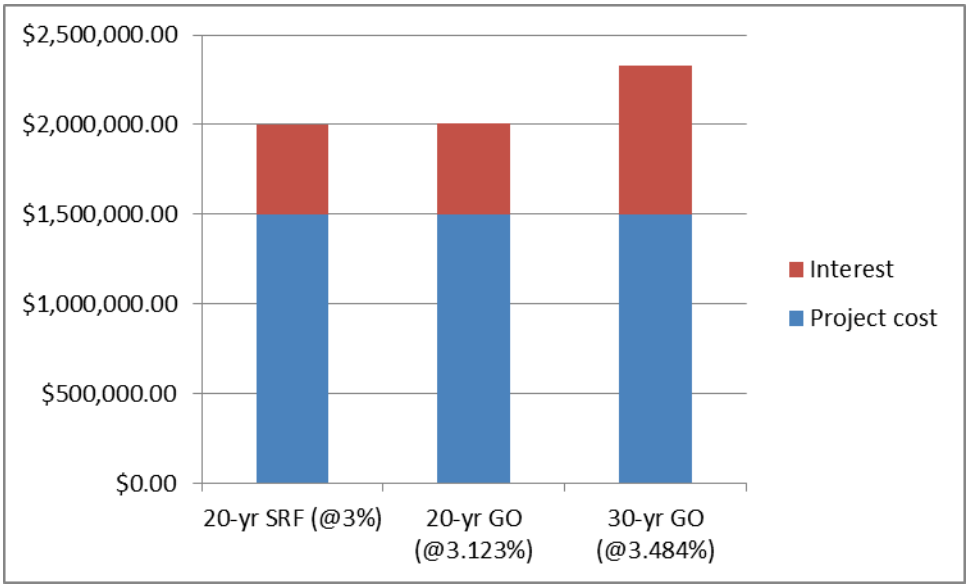
The projections are based upon a basic amortization schedule, in which the monthly and annual payments are consistent throughout the term. The schedule envisions that interest payments are greater in the earlier years, while principal payments are greater in the later years.

Revenue bonds and general obligation bonds

The proposed bond is what is known as a revenue bond. Debt is repaid by net revenue from users of the utility – in this instance, water system users. Past water projects in Hinesburg utilized the same borrowing mechanism. The Town is borrowing project funds from the State Drinking Water Revolving Loan Fund, which offers the lowest interest rate available (3%).

The other option is a general obligation bond, where debt is re-paid using property tax revenue.

The Vermont Municipal Bond Bank facilitates two general obligation bond options: a 20-year term and a 30-year term. Because of the manner in which bonds are sold by the Bond Bank, interest is expressed as a net interest cost rather than a fixed rate. The net interest cost is, essentially, the average interest percentage applied annually throughout the life of the bond. Current net interest costs are 3.123% for a 20-year bond and 3.494% for a 30-year bond. The graph below shows the principal and interest paid as proposed ("20-yr SRF") and for 20- and 30-year general obligation bonds. The longer the bond term, the more the Town would pay in interest, making a 30-year bond the most expensive option with regards total cost.

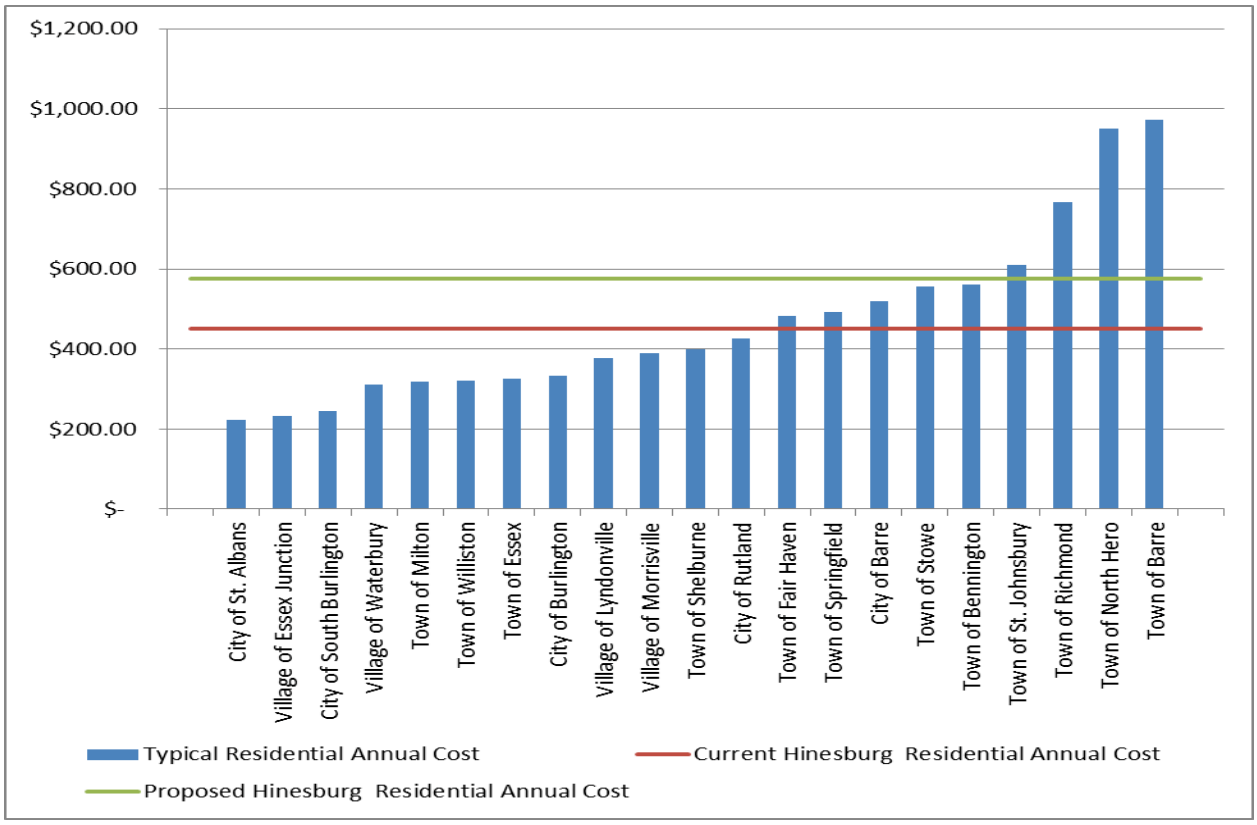


A 20-year general obligation bond would add approximately 2.0 cents to the property tax rate, while a 30-year general obligation bond would add nearly 1.5 cents.

Assessed value	20-year G.O. bond (property tax increase per year)	30-year G.O. bond (property tax increase per year)
$200,000	$48.80	$30.00
$300,000	$58.20	$45.00
$400,000	$77.60	$60.00

Municipal Water Rate Comparisons

Using data from the State Department of Environmental Conservation (the entity responsible for the oversight and regulation of drinking water systems throughout Vermont), the graphic below shows the residential water rates in a number of other municipalities and how they compare to current and projected rates in Hinesburg. The communities and water systems represented are of varying size and scale.



Hinesburg's current water rates are fairly close to the middle of the range. If the water bond passes, Hinesburg's rates will trend towards the higher end of the range – but still not occupy the "top spot" as the highest in the group shown.