

# Water/Sewer Budget and Rate Study



## City Council Public Input Session Regarding Water/Sewer Budget and Rate Study

March 13, 2013



**Tighe & Bond**

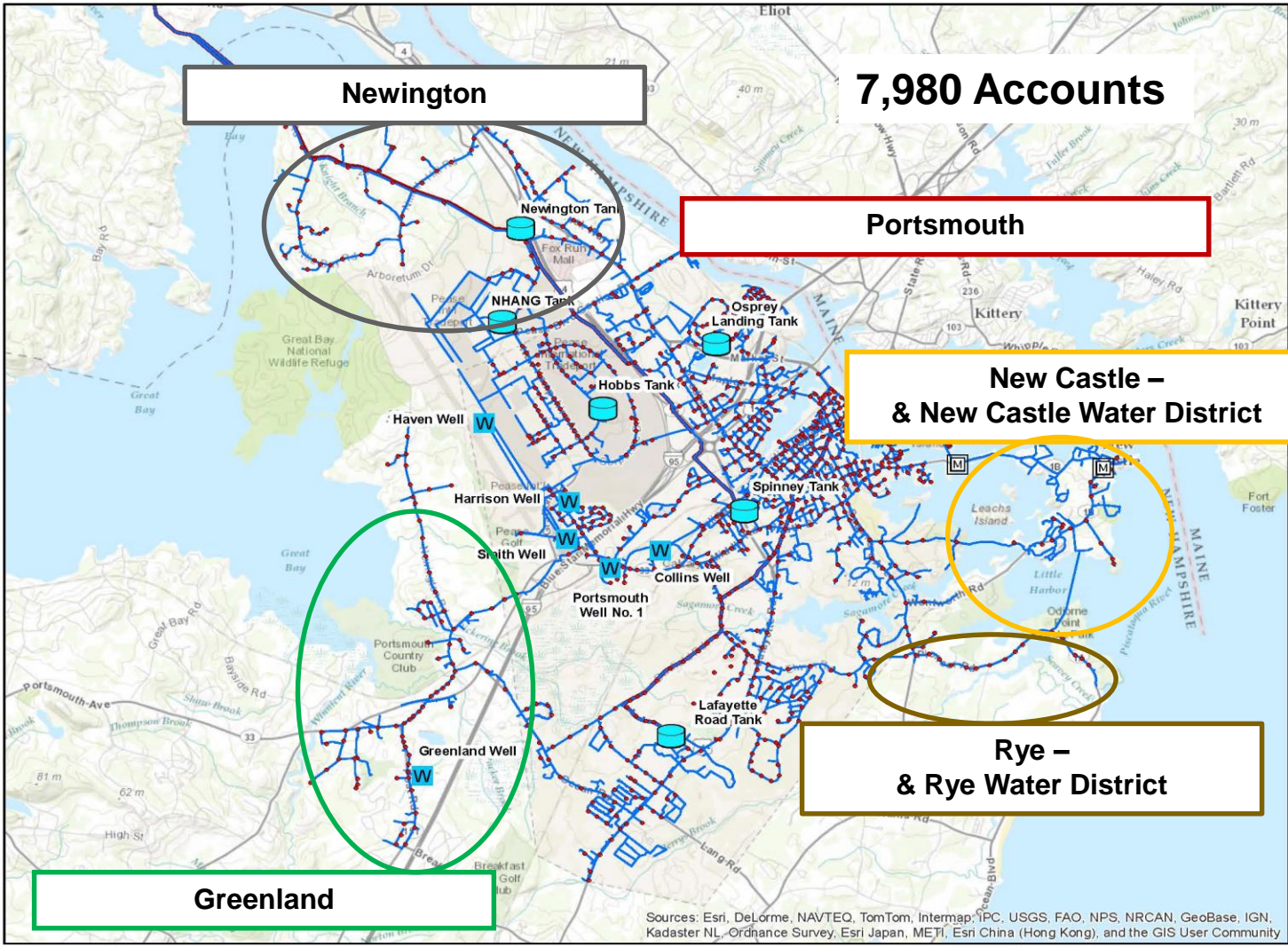
Consulting Engineers  
Environmental Specialists

# Overview of Tonight's Meeting

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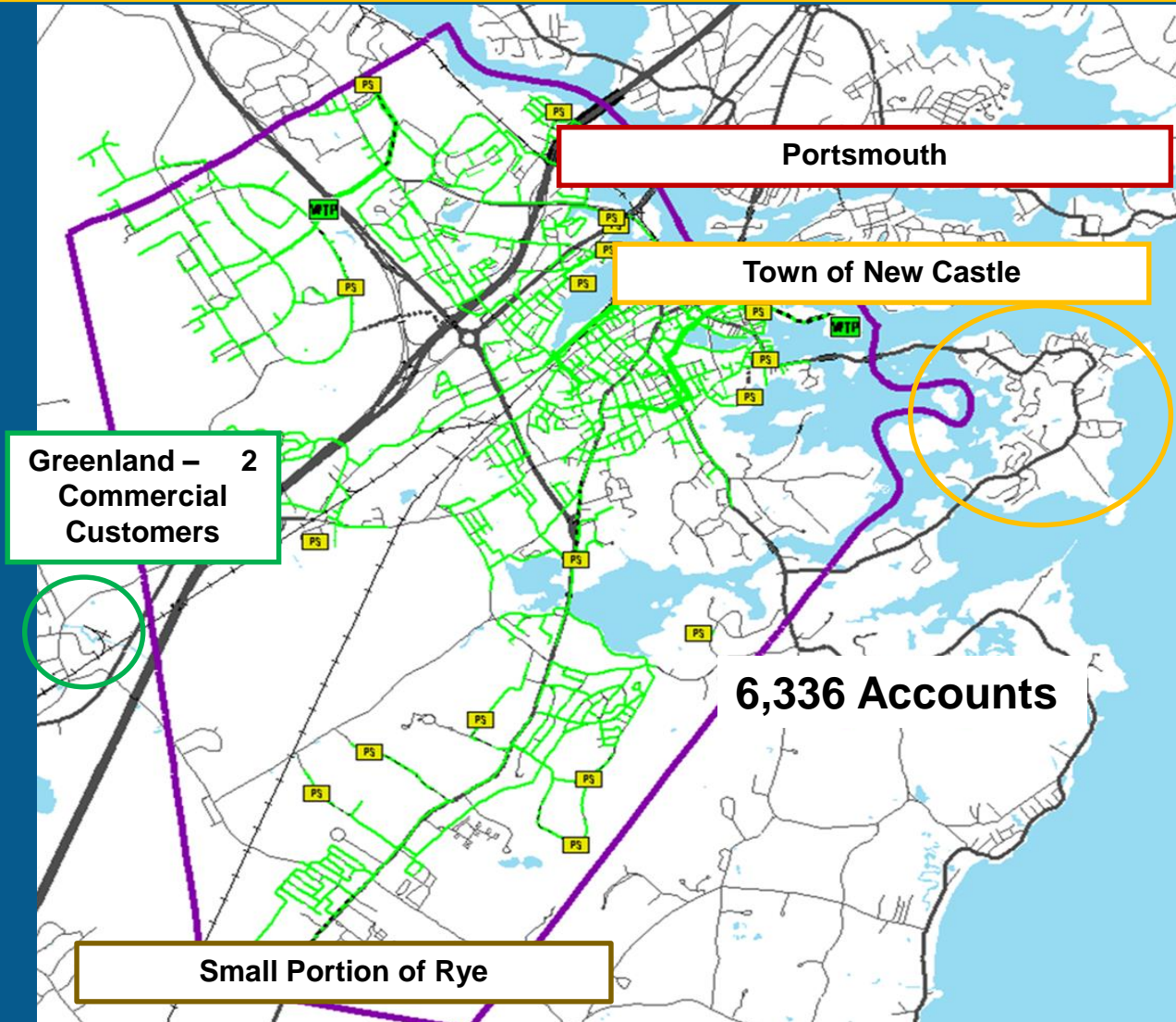
- **Introduction**
  - **Water and Sewer System Overview**
  - **Enterprise Funds**
- **Rate Model Study Overview**
  - **Goal of Rate Study and Purpose of Rate Model**
  - **Proposed Water and Sewer Budgets**
  - **Recommended Water and Sewer Enterprise Fund Management Plan**
- **Proposed FY 14 Water Rate**
- **Proposed FY 14 Sewer Rate**
- **Open Public Input Session**

# Portsmouth Regional Water System



Sources: Esri, DeLorme, NAVTEQ, TomTom, Intermap, iPC, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL - Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), and the GIS User Community

# Portsmouth Wastewater System



# System Funding: Enterprise Funds

- ▶ Enterprise Funds Account for Operations That are Financed and Operated in a Manner Similar to Private Business
- ▶ Must have Fees and or Charges Sufficient Enough to Cover the Cost of Providing Goods and Services, Including Capital costs (i.e. Depreciation and Debt Service)
- ▶ Note: Property Taxes **do not** Subsidize the Water and Sewer Funds

# Municipal Financial Services Group

- **Specialized Financial and Management Consulting Practice**

- ▶ Focus on Municipal and Environmental Infrastructure
- ▶ Efficient Delivery of Public Sector Services



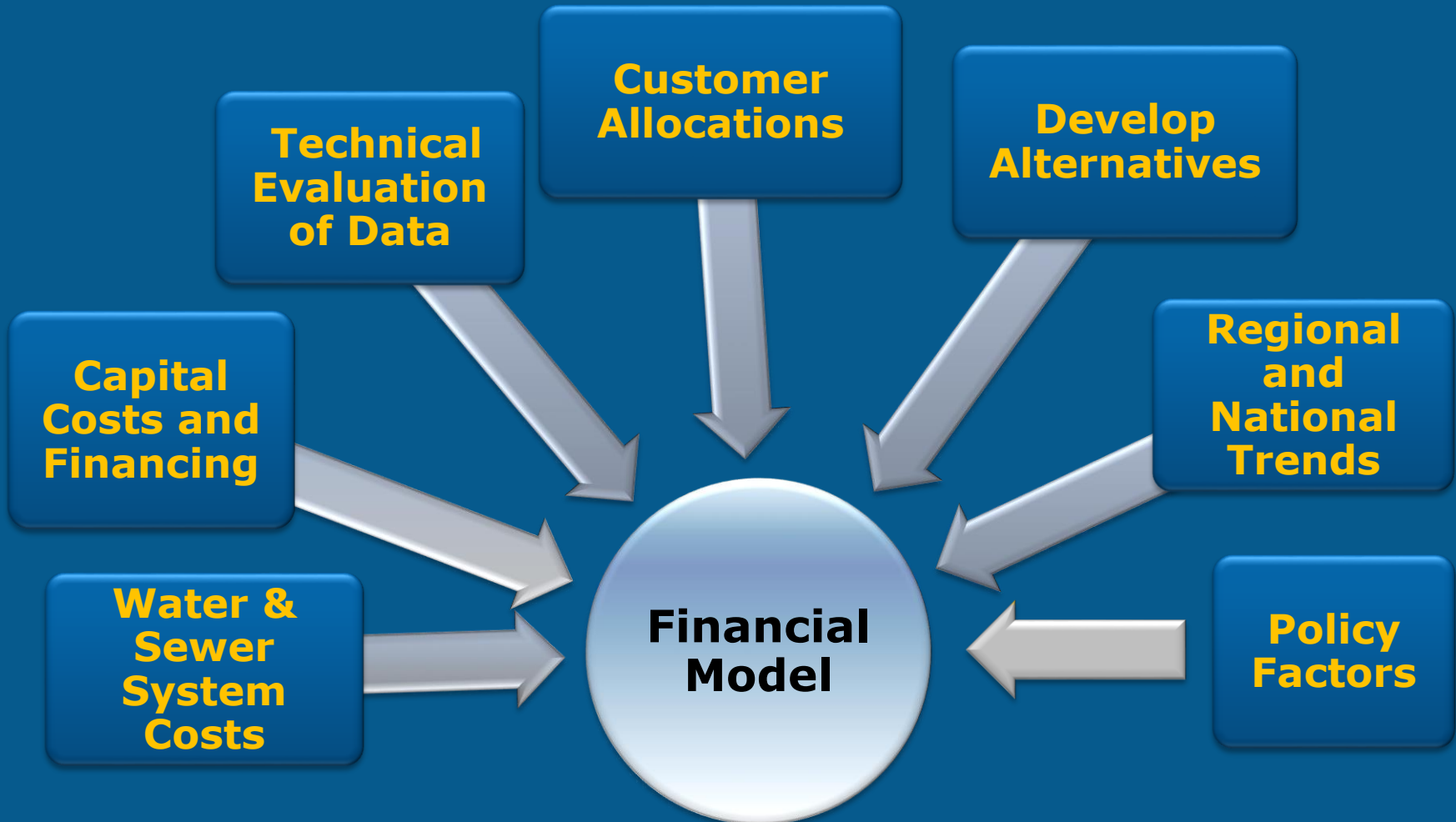
- **National Practice Since 1976**

- **Clients Range from Large (New York, Washington, DC, Cleveland, San Francisco) to Very Small (Prudhoe Bay) - Clients Serve 45% of Nation's Population**

- **Recent work for numerous governments in New England**

- ▶ Water and sewer rate studies and financial plans
  - New Hampshire - Claremont
  - Massachusetts - Barnstable, Auburn
  - Connecticut - Branford, Cheshire, Manchester, Middletown, Watertown
  - Rhode Island - Bristol, Newport Water

# Rate Study Overview



# Goal of Utility Rate Study

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- **Provide long-term financial health, stability, and predictability within the City's water and sewer enterprise funds, while appropriately pricing water and sewer service based on the costs incurred by the City**

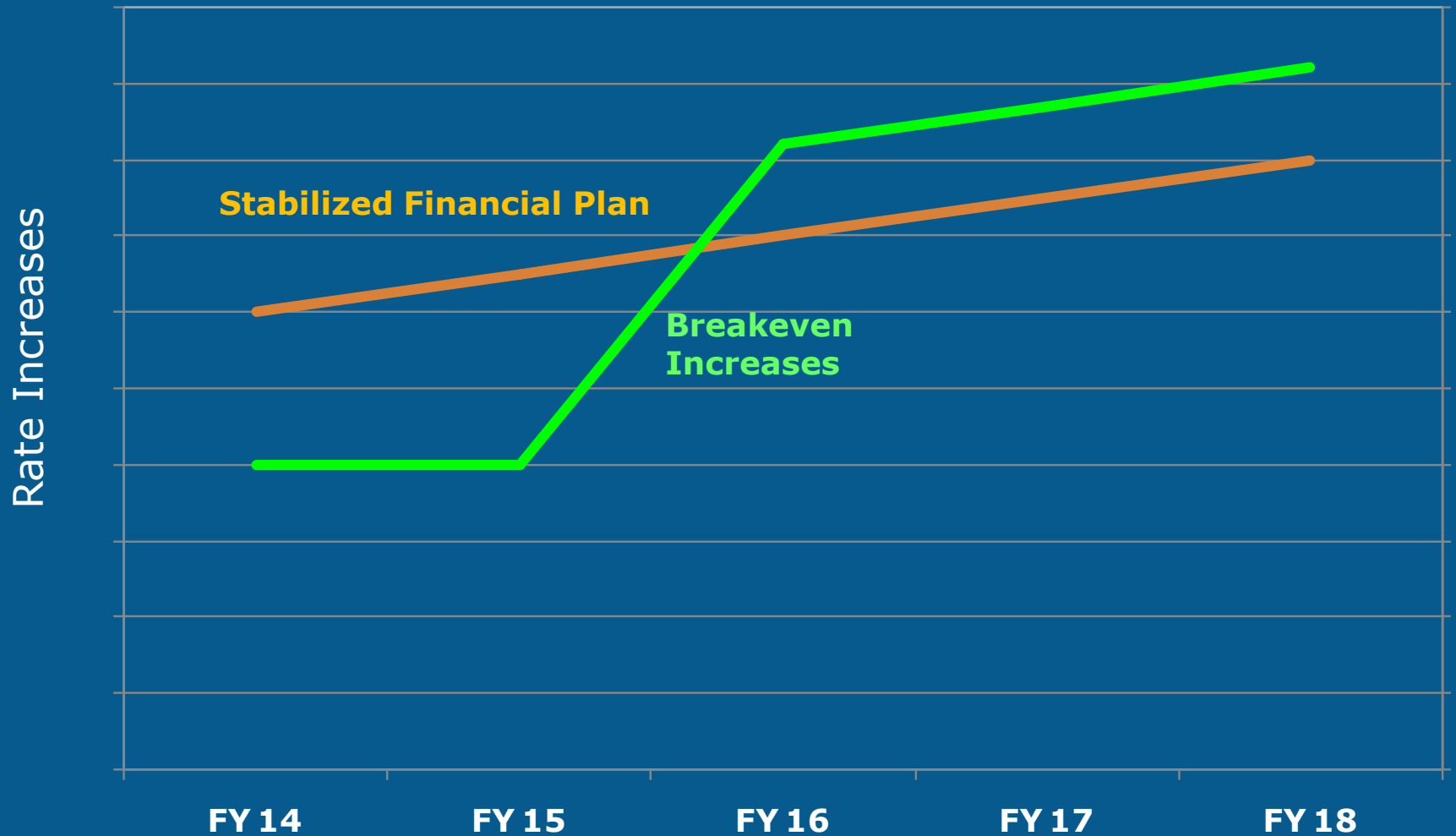


# Purpose of Rate Model

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- **The rate model serves as the key tool to assist in long-term planning:**
  - **Allowing for prudent financial planning which results in predictable rate increases**
  - **Allowing for funding of significant capital projects**
  - **Allowing for proactive management of the systems which results in lowest rates over time**

# Approaches to Adjusting Rates





**Proposed FY 14 Water and Sewer  
Enterprise Fund Budgets**

# Proposed Water Fund FY14 Budget

	Full Accrual Basis of Accounting	Cash Requirements
<b>Operations and Maintenance</b>	<b>4,523,674</b>	<b>4,523,674</b>
<b>Property Taxes</b>	<b>118,000</b>	<b>118,000</b>
<b>Equipment &amp; Minor Capital needs</b>	<b>126,000</b>	<b>126,000</b>
<b>Depreciation</b>	<b>1,582,924</b>	<b>-</b>
<b>Interest on Debt</b>	<b>793,427</b>	<b>793,427</b>
<b>Accrued Interest</b>	<b>-</b>	<b>93,723</b>
<b>Principal Debt</b>	<b>-</b>	<b>1,565,329</b>
<b>OPEB Liability</b>	<b>33,320</b>	<b>-</b>
<b>Capital Projects, Vehicle Replacement</b>	<b>-</b>	<b>2,330,000</b>
<b>Total</b>	<b>\$7,177,345</b>	<b>\$9,550,153</b>

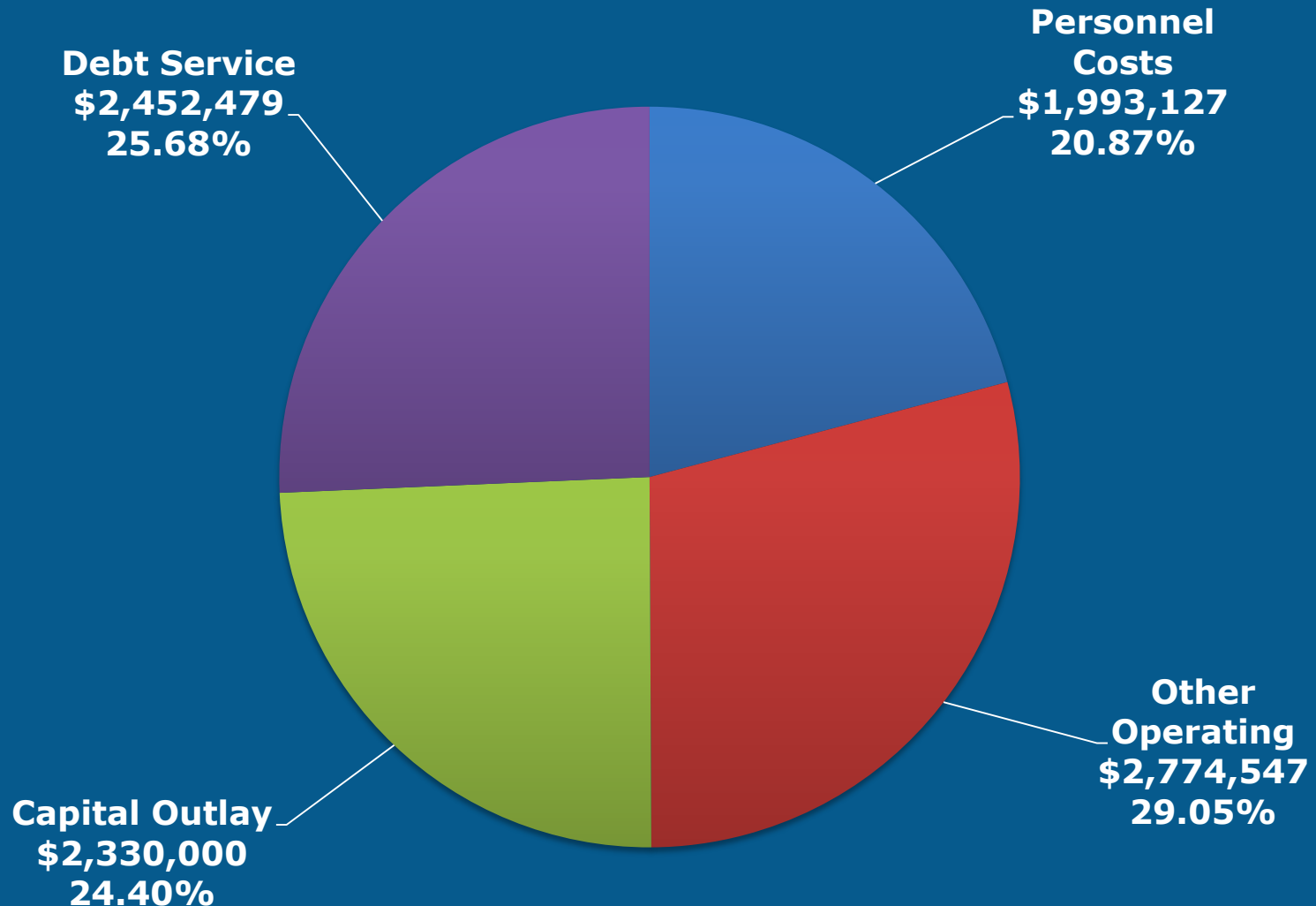
# Proposed Sewer Fund FY14 Budget

	Full Accrual Basis of Accounting	Cash Requirements
<b>Operations and Maintenance</b>	<b>6,277,029</b>	<b>6,277,029</b>
<b>Permit Expenses/Legal Fees</b>	<b>291,000</b>	<b>291,000</b>
<b>Equipment &amp; Minor Capital needs</b>	<b>216,300</b>	<b>216,300</b>
<b>Depreciation</b>	<b>1,542,718</b>	<b>-</b>
<b>Interest on Debt</b>	<b>1,609,074</b>	<b>1,609,074</b>
<b>Accrued Interest</b>	<b>-</b>	<b>(7,134)</b>
<b>Principal Debt</b>	<b>-</b>	<b>2,915,799</b>
<b>OPEB Liability</b>	<b>21,791</b>	<b>-</b>
<b>Capital Projects, Vehicle Replacement</b>	<b>-</b>	<b>936,000</b>
<b>Total</b>	<b>\$9,957,912</b>	<b>\$12,238,068</b>



# **Recommended Water and Sewer Enterprise Fund Management Plan**

# Cash Basis Revenue Requirements: FY 14 Water Fund - \$9,550,153



# Water System Revenue Requirement Forecast

## ■ Personnel Costs

- ▶ Salaries, insurance, benefits, etc.
- ▶ Inflated annually by line item in financial model

## ■ Other Operating

- ▶ Chemicals, energy, repairs, contracts, etc.
- ▶ Inflated annually by line item in financial model
- ▶ Key cost driver is inflation on utilities (chemical and energy)



# Water System Revenue Requirement Forecast

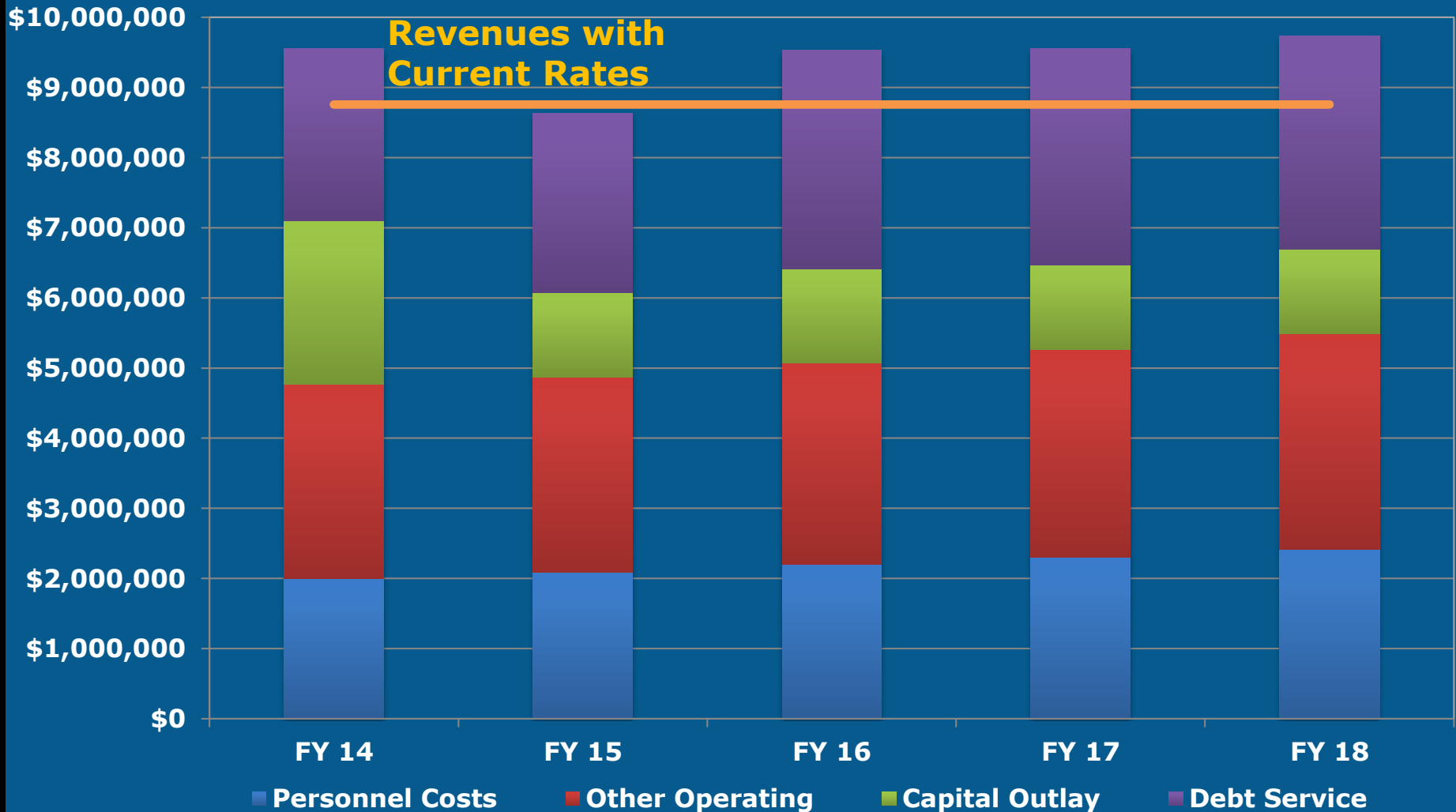
## ■ Capital Outlay

- ▶ Cash funded capital projects (waterline and tank replacement)
- ▶ Forecast based on Capital Improvements Plan
- ▶ Key cost driver is the magnitude of capital projects

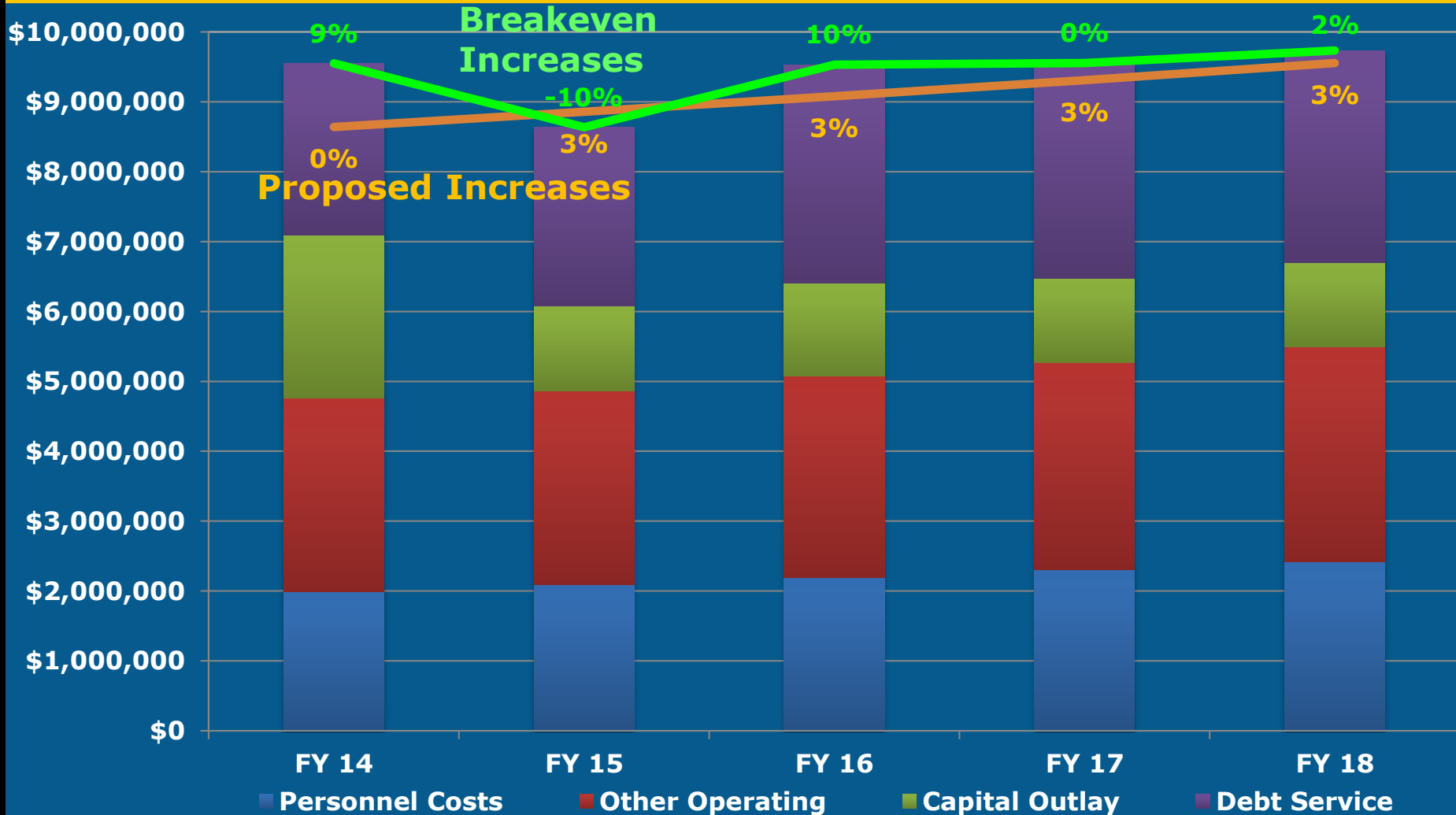
## ■ Debt Service

- ▶ Principal and interest on current and future loans
- ▶ Forecast based on Capital Improvements Plan
- ▶ Key cost driver is the magnitude of capital projects

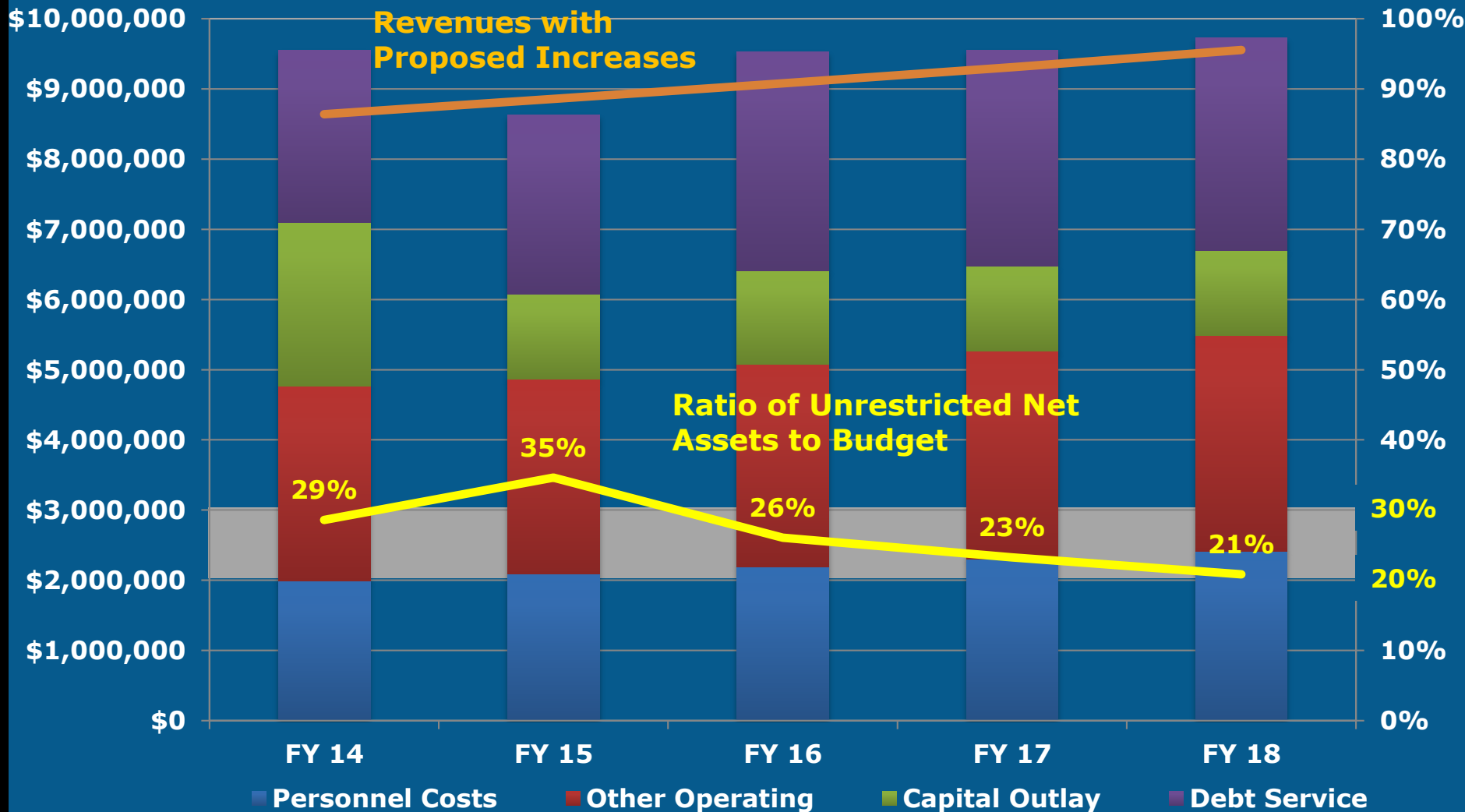
# Water Fund Revenues vs. Expenses



# Water Fund Revenues vs. Expenses



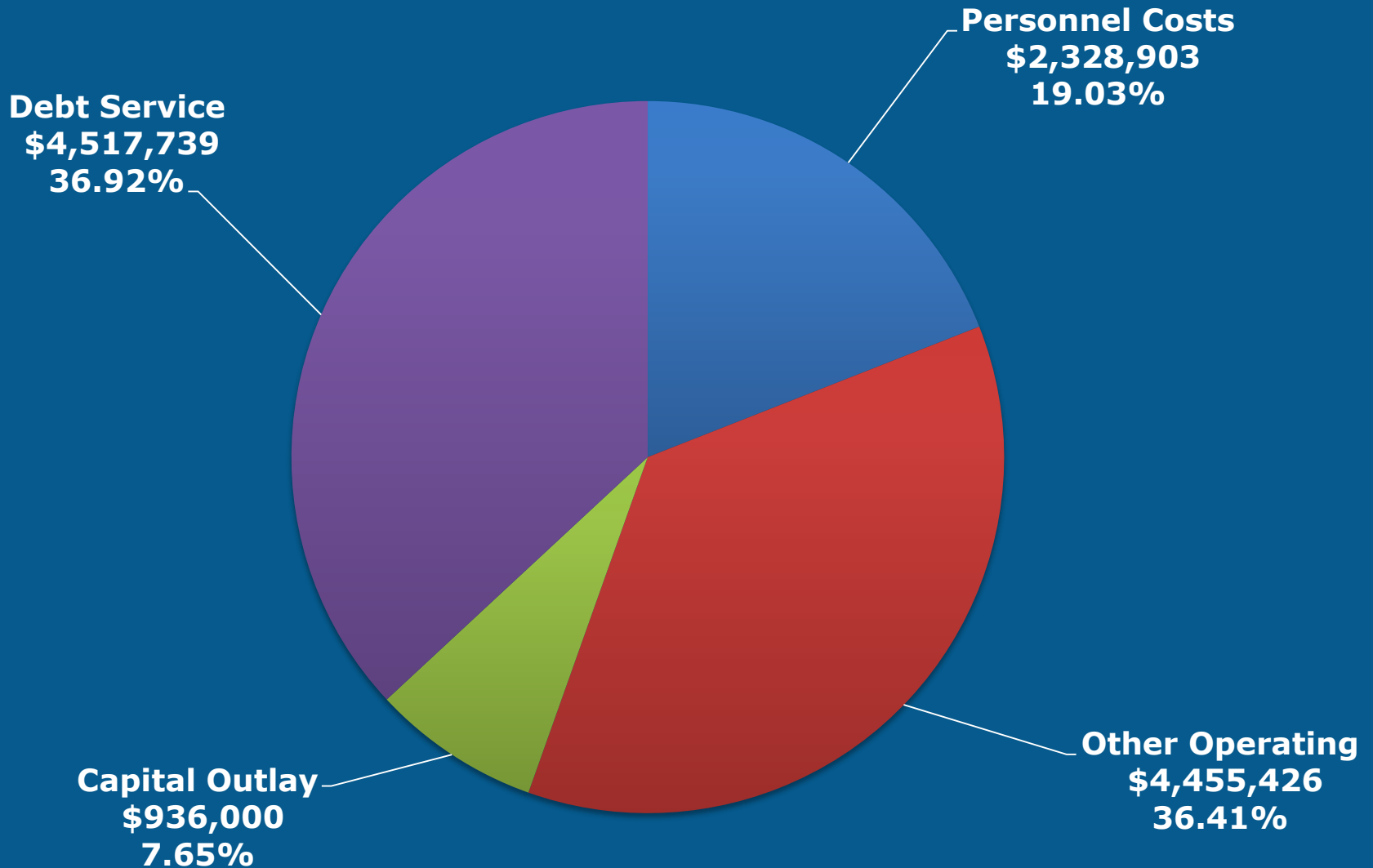
# Water Fund Revenues vs. Expenses



# Proposed Water Fund Management Plan

	<b>FY 13</b>	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>
Proposed Increases	-	0.00%	3.00%	3.00%	3.00%	3.00%
End of Year Modified Unrestricted Net Assets	\$3,472,714	\$2,562,864	\$2,785,212	\$2,331,672	\$2,084,190	\$1,906,009
% of Annual Budget (Target 20 - 30%)	41%	29%	35%	26%	23%	21%

# Cash Basis Revenue Requirements: FY 14 Sewer Fund - \$12,238,068



# Sewer System Revenue Requirement Forecast

## ■ Personnel Costs

- ▶ Salaries, insurance, benefits, etc.
- ▶ Inflated annually by line item in financial model

## ■ Other Operating

- ▶ Chemicals, energy, repairs, contracts, etc.
- ▶ Inflated annually by line item in financial model
- ▶ Key cost drivers include utilities and additional operating costs of upgraded WWTP

# Sewer System Revenue Requirement Forecast

## ■ Capital Outlay

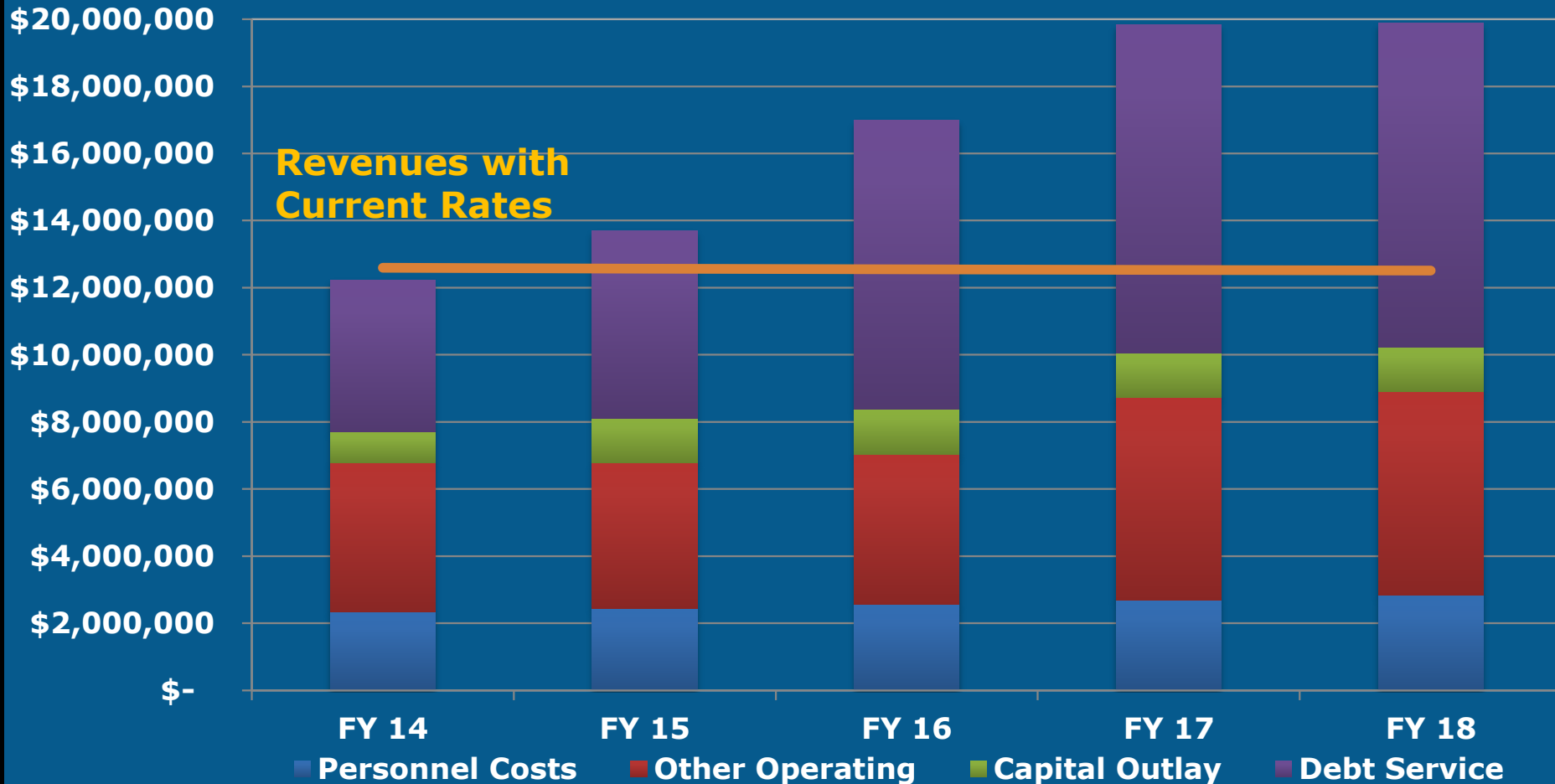
- ▶ Cash funded capital projects (sewer line replacements)
- ▶ Forecast based on Capital Improvements Plan
- ▶ Key cost driver is magnitude of capital projects

## ■ Debt Service

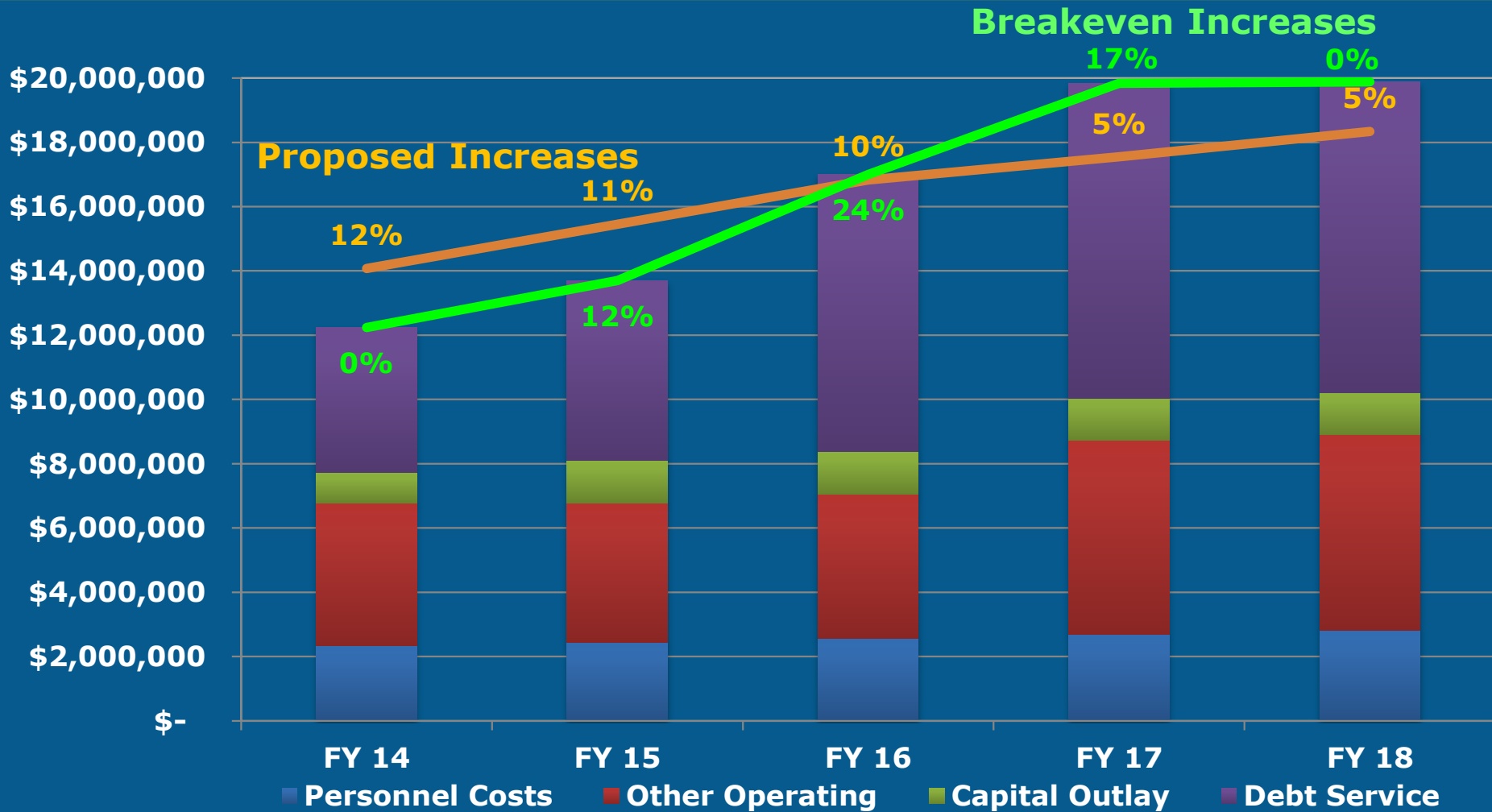
- ▶ Principal and interest on current and future loans
- ▶ Forecast based on Capital Improvements Plan
- ▶ Key cost driver is magnitude of capital projects  
(WWTP upgrades - \$62.5 million)



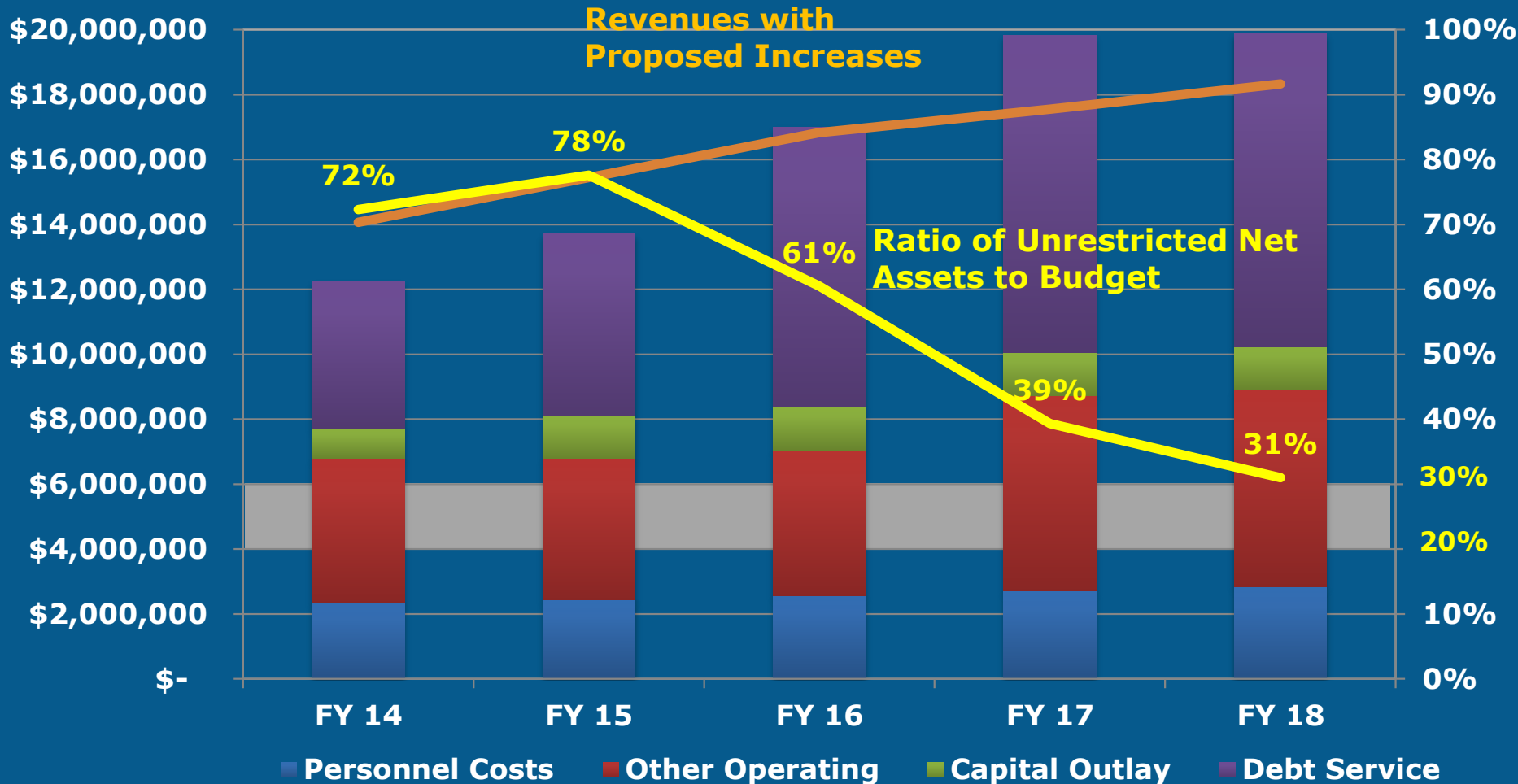
# Sewer Fund Revenues vs. Expenses



# Sewer Fund Revenues vs. Expenses



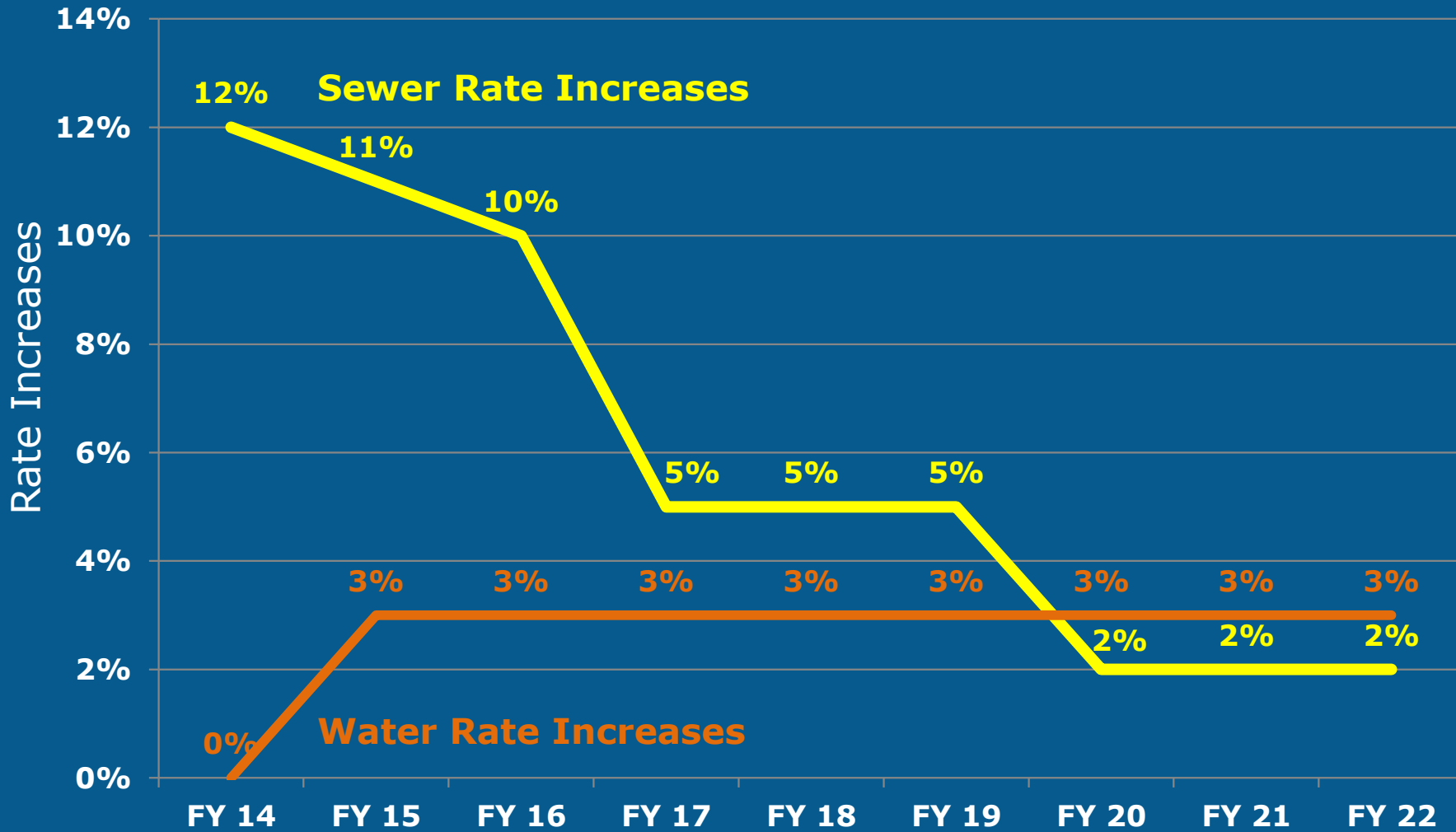
# Sewer Fund Revenues vs. Expenses



# Sewer Fund Rate Adjustments

	<b>FY 13</b>	<b>FY 14</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>
Proposed Increases	-	12.00%	11.00%	10.00%	5.00%	5.00%
End of Year Modified Unrestricted Net Assets	\$6,311,969	\$8,146,795	\$9,896,162	\$9,723,018	\$7,441,977	\$5,890,194
% of Annual Budget (Target 20 - 30%)	59%	72%	78%	61%	39%	31%

# Long-Term Water and Sewer Rate Increases





# **Proposed FY 14 Water Rates**

# FY 14 Water Rates (same as Current Rates)

Meter Size	Monthly Meter Charge
5/8" and 3/4"	\$4.95
1"	\$8.27
1 1/2"	\$14.25
2"	\$22.91
3"	\$36.26
4"	\$68.74
6"	\$120.27
8"	\$168.01
10"	\$252.02

*CF = cubic feet,  
 1 CF = 7.48 gallons  
 CCF = 100 cubic feet  
 1 Unit = 100 cubic feet  
 100 cubic feet = 748 gallons*

Monthly Usage Rates – Variable Portion	
All User Classes	
Capital Related Rate per unit billed	\$3.11 per Unit
First 10 units billed per month	\$1.04 per Unit
<b>Tier 1: 0 – 10 Units</b>	<b>\$4.15 per Unit</b>
Capital Related Rate per unit billed	\$3.11 per Unit
Over 10 units billed per month	\$1.89 per Unit
<b>Tier 2: Over 10 Units</b>	<b>\$5.00 per Unit</b>
Irrigation	
Capital Related Rate per unit billed	\$3.11 per Unit
Over 10 units billed per month	\$1.89 per Unit
<b>All Usage</b>	<b>\$5.00 per Unit</b>

FY13 Monthly Usage Rates	
<b>Tier 1: 0 – 10 Units</b>	<b>\$4.15 per Unit</b>
<b>Tier 2: Over 10 Units</b>	<b>\$5.00 per Unit</b>



# **Proposed FY 14 Sewer Rates**



# FY 14 Sewer Rates

Meter Size	Monthly Meter Charge
5/8" and 3/4"	\$ -
1"	\$ -
1 1/2"	\$ -
2"	\$ -
3"	\$ -
4"	\$ -
6"	\$ -
8"	\$ -
10"	\$ -

*CF = cubic feet,  
 1 CF = 7.48 gallons  
 CCF = 100 cubic feet  
 1 Unit = 100 cubic feet  
 100 cubic feet = 748 gallons*

Monthly Usage Rates – Variable Portion	
All User Classes	
Capital Related Rate per unit billed	\$5.66 per Unit
First 10 units billed per month	\$5.02 per Unit
<b>Tier 1: 0 – 10 Units</b>	<b>\$10.68 per Unit</b>
Capital Related Rate per unit billed	\$5.66 per Unit
Over 10 units billed per month	\$6.09 per Unit
<b>Tier 2: Over 10 Units</b>	<b>\$11.75 per Unit</b>

FY13 Monthly Usage Rates	
<b>Tier 1: 0 – 10 Units</b>	<b>\$9.54 per Unit</b>
<b>Tier 2: Over 10 Units</b>	<b>\$10.49 per Unit</b>

# New Hampshire's Water and Sewer System's

**Other Communities  
are Faced with  
Similar Needs....**



# Water Sustainability Commission Report

## NEW HAMPSHIRE LIVES ON WATER



December  
2012

New Hampshire  
Water Sustainability Commission -  
Final Report

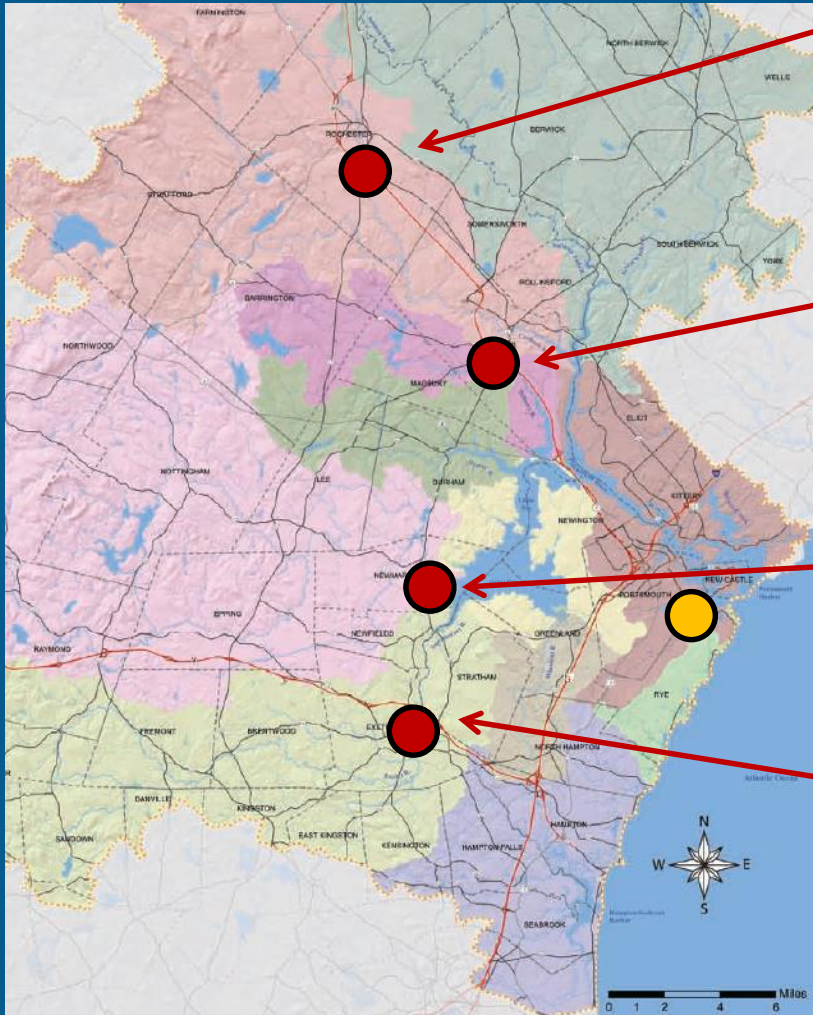
Established by Executive Order 2011-02  
By Governor John H. Lynch

## Infrastructure Needs

### - Next 20 Years:

- **Water Supply:**
  - \$857 Million
- **Wastewater:**
  - \$1.7 Billion
- **Stormwater:**
  - \$269 Million

# Regional Sewer Systems: Anticipated Capital Projects Related to Infrastructure Upgrades



## Rochester:

- \$19.7 M for WWTF
  - \$4.3 M for Pump Stations
  - \$7.8 M for I/I Projects
- FY14-19 proposed budget

## Dover:

- \$9.0 M for WWTF
  - \$1.8 M for I/I Projects
  - \$2.9 M for other Sewer Projects
- FY14-19 proposed budget

## Newmarket:

- \$14.2 M for WWTF
  - \$1.0 M for Watershed Projects
- Public Meeting on Proposed Upgrades

## Exeter:

- \$30.0 to 46.0 M for WWTF
- \$2.0 for collection system upgrades
- \$1.75 for sludge removal

FY12-18 budget and Exeter PW Staff correspondence

# Next Steps



- **Finalize Water and Sewer Budgets**
- **Finalize FY 14 Water and Sewer Rates**
- **Hold Council Work Session Fall of 2013 to review Rate Model Policy Issues**
- **Modify rate model to incorporate policy changes approved by City Council for preparation of FY 15 budget**



# Open Public Input Session