

Water/Sewer Budget and Rate Study



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

March 13, 2013



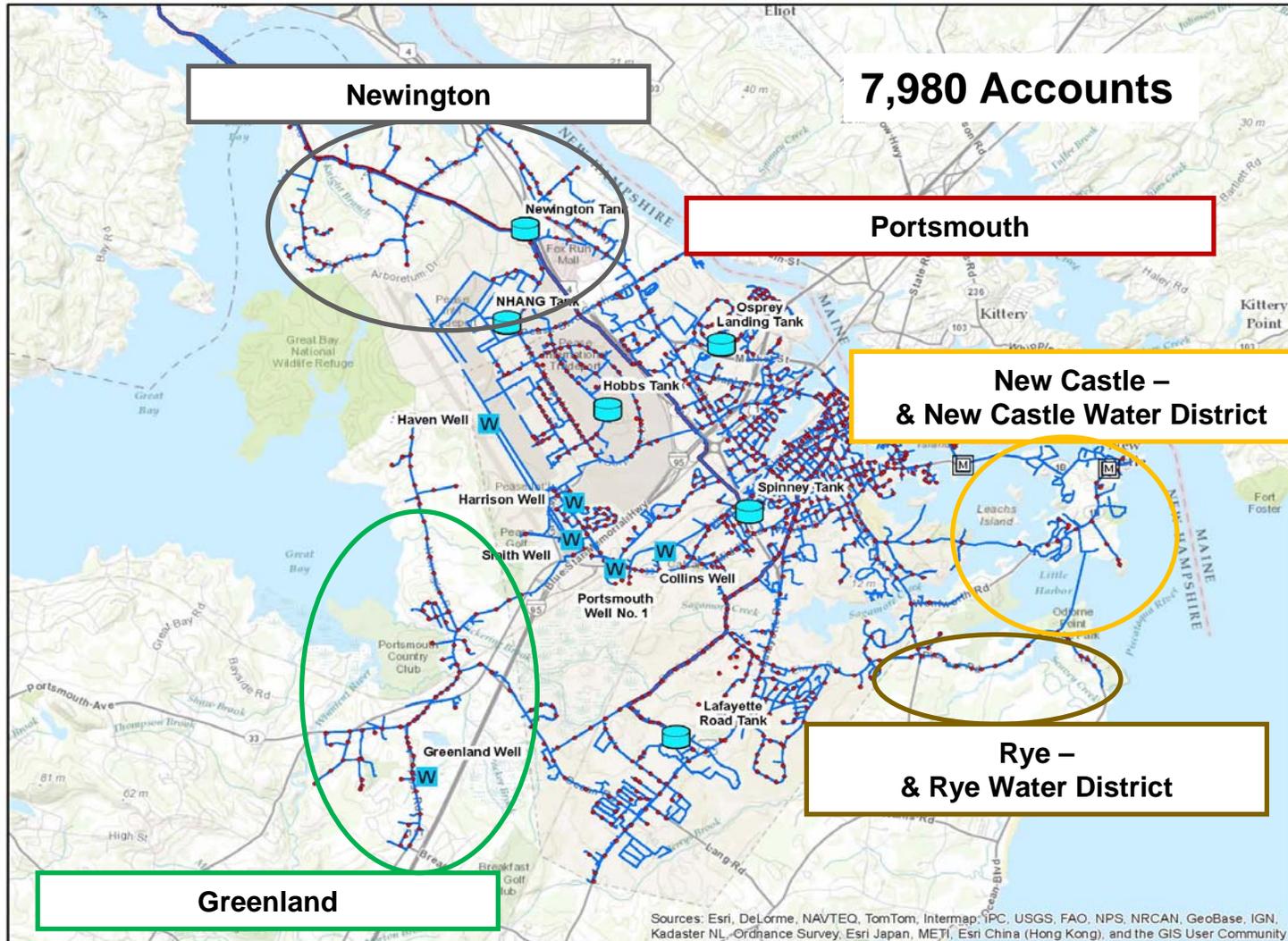
Tighe & Bond

Consulting Engineers
Environmental Specialists

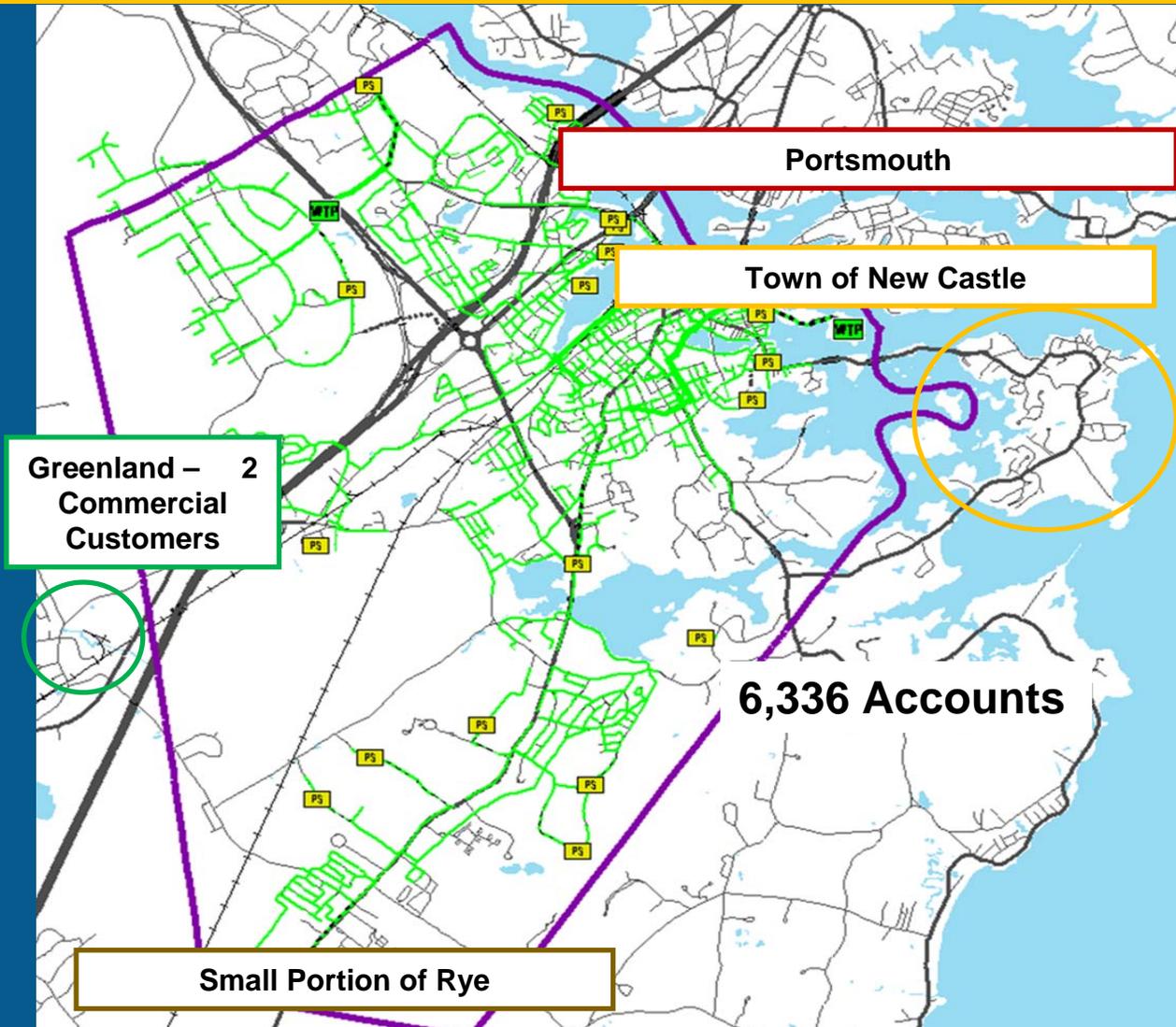
Overview of Tonight's Meeting

- **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 Financial Plan**
- **Proposed FY 14 Water Rate**
- **Proposed FY 14 Sewer Rate**
- **Open Public Input Session**

Portsmouth Regional Water System



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



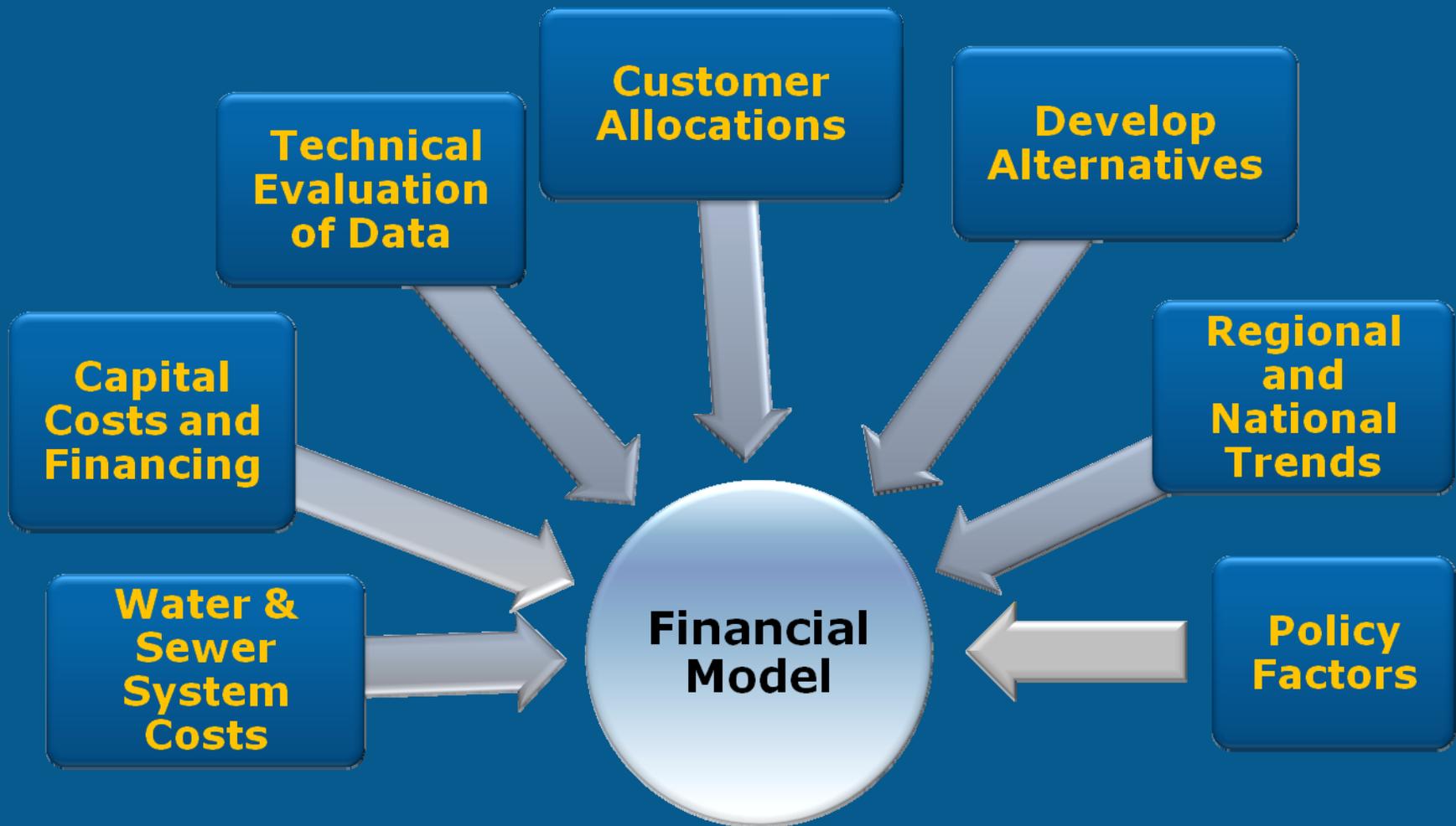
- **National Practice Since 1976**

- **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



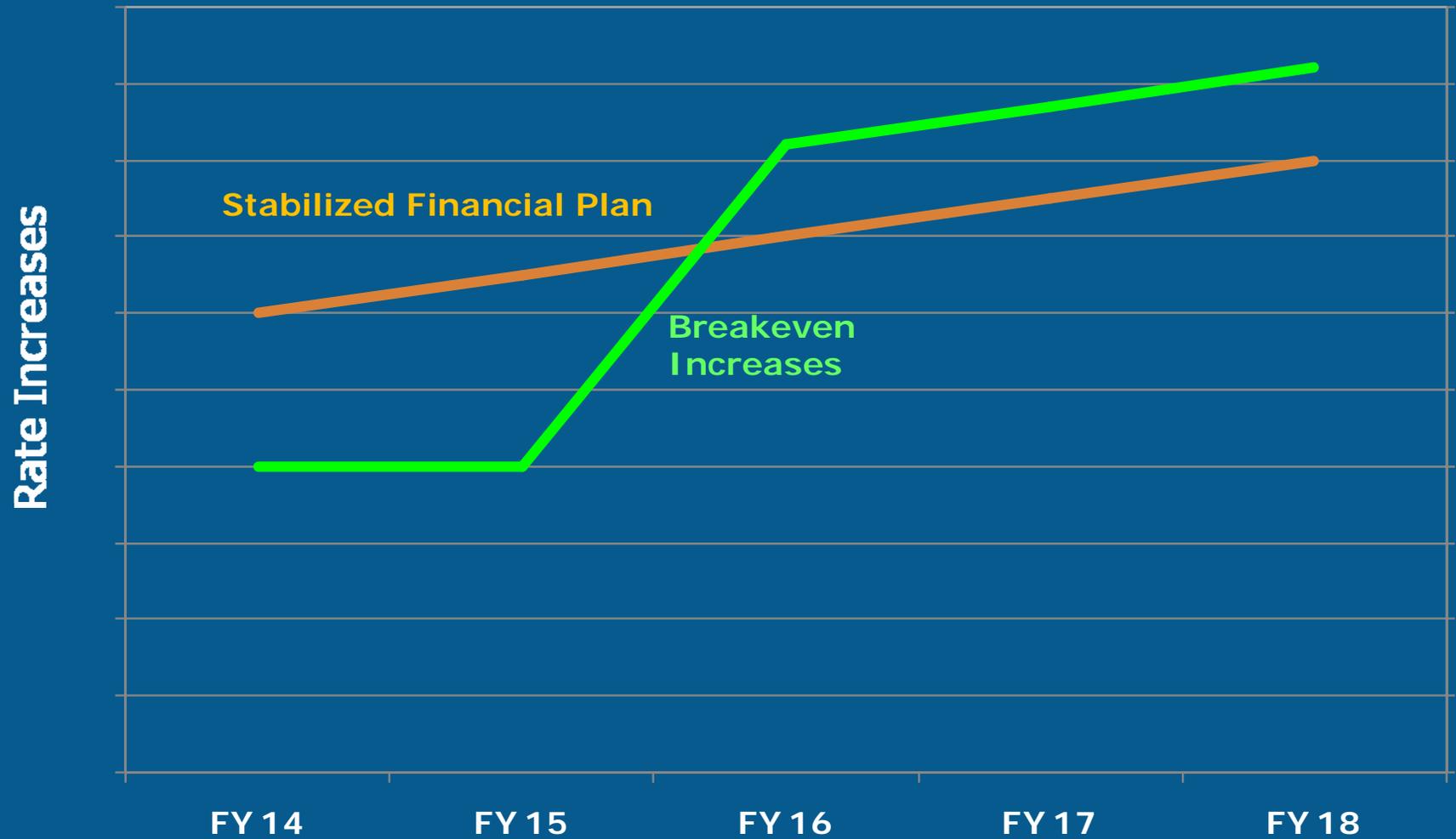
Goal of Utility Rate Study

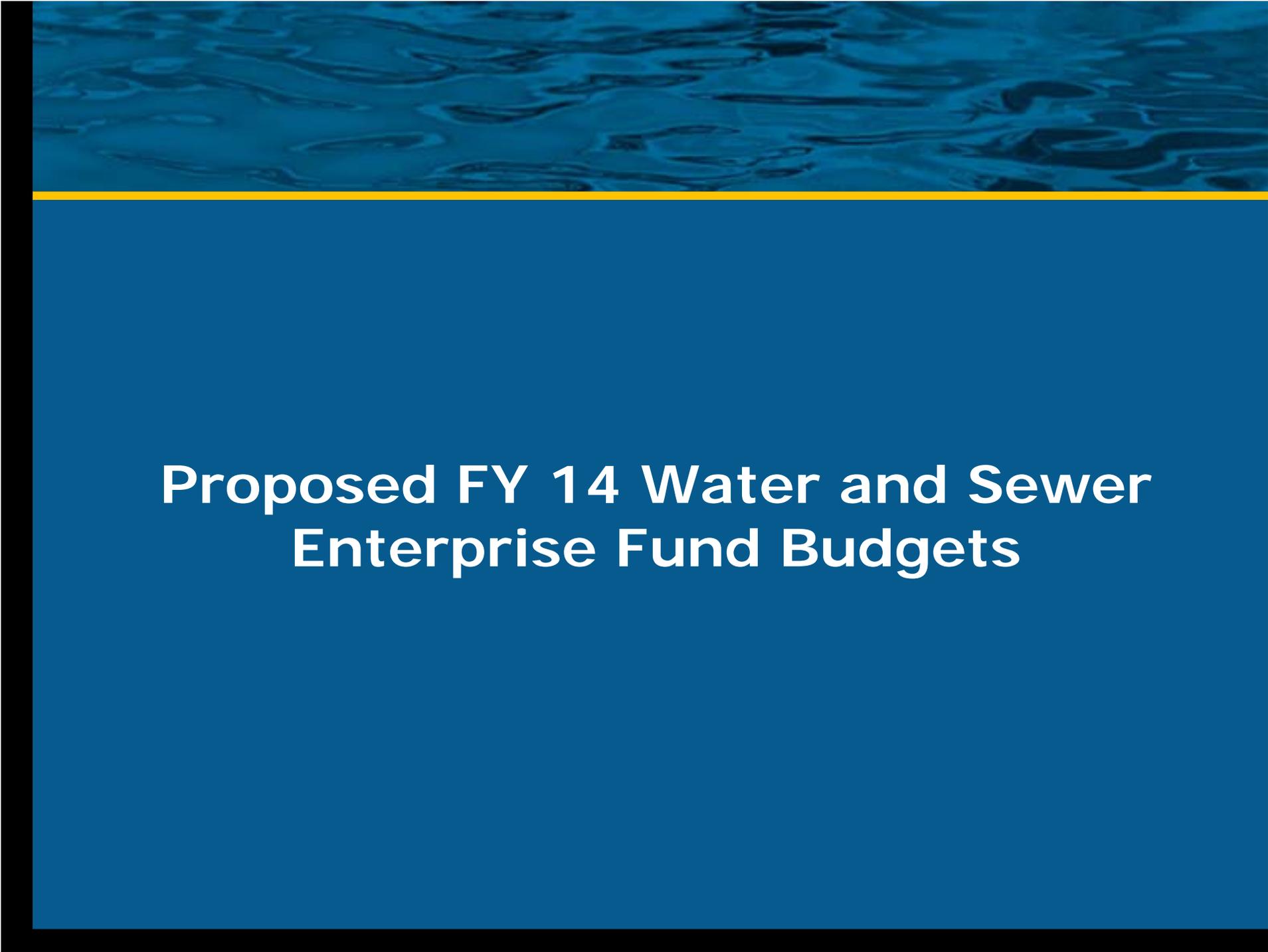
- **Provide long-term financial health, stability, and predictability within the City's water and sewer enterprise funds, while appropriately pricing water and sewer service based on the costs incurred by the City**

Purpose of Rate Model

- **The rate model serves as the key tool to assist in long-term planning, allowing:**
 - **Prudent financial planning which results in predictable rate increases**
 - **Funding of significant capital projects**
 - **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
Operations and Maintenance	4,523,674	4,523,674
Property Taxes	118,000	118,000
Equipment & Minor Capital needs	126,000	126,000
Depreciation	1,582,924	-
Interest on Debt	793,427	793,427
Accrued Interest	-	93,723
Principal Debt	-	1,565,329
OPEB Liability	33,320	-
Capital Projects, Vehicle Replacement	-	2,330,000
Total	\$7,177,345	\$9,550,153

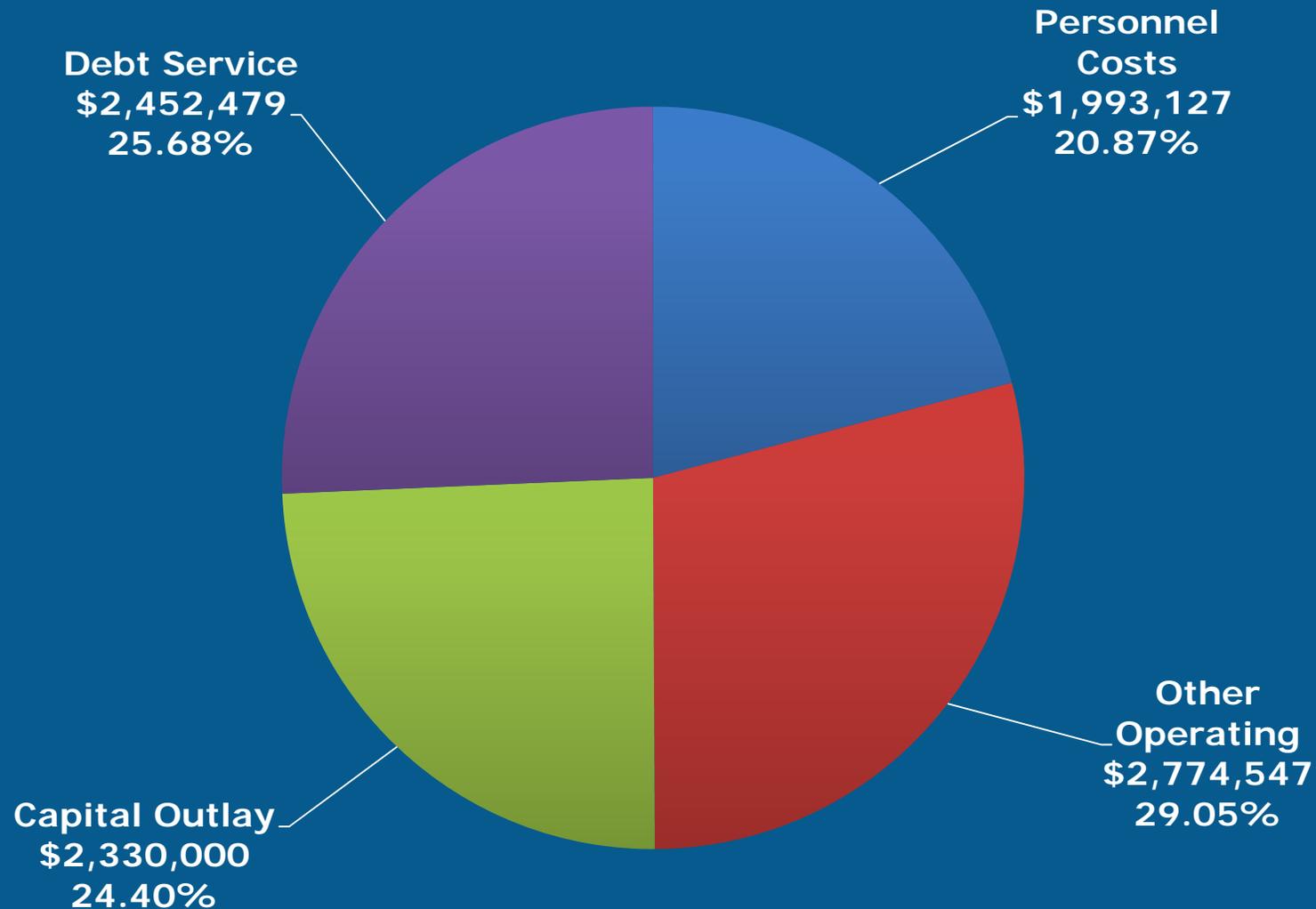
Proposed Sewer Fund FY14 Budget

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



Recommended Water and Sewer Enterprise Fund Financial 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

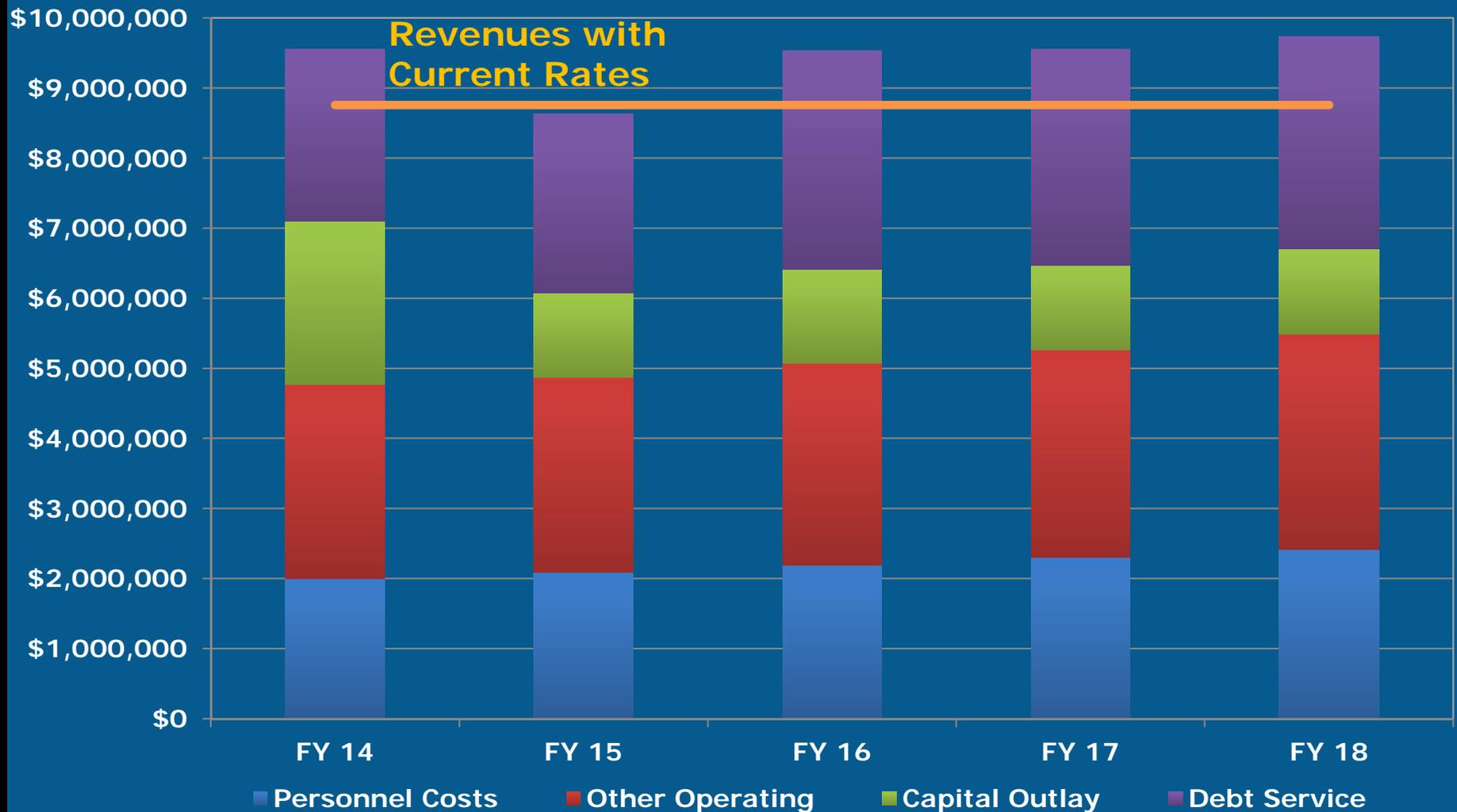
■ Capital Outlay

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

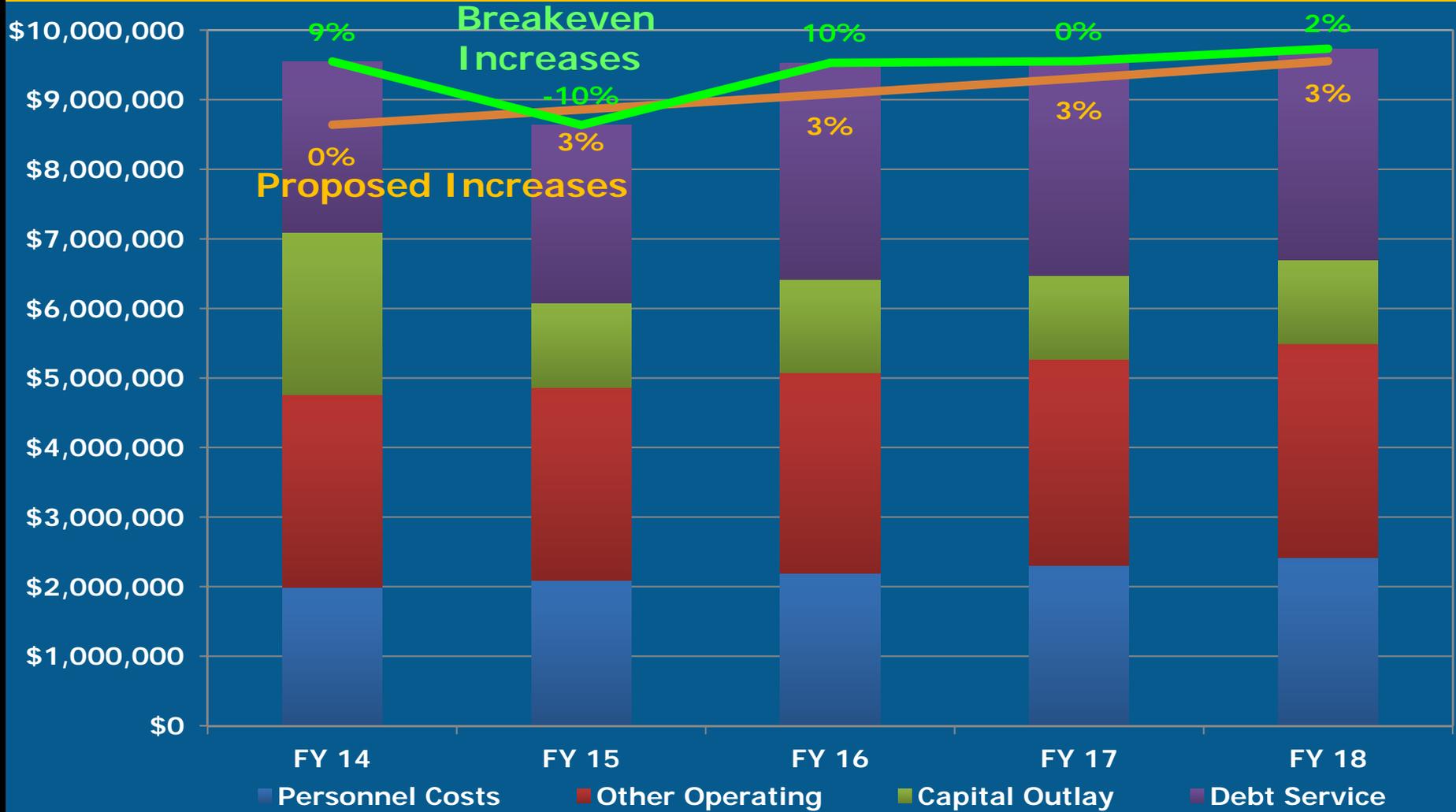
■ Debt Service

- ▶ 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



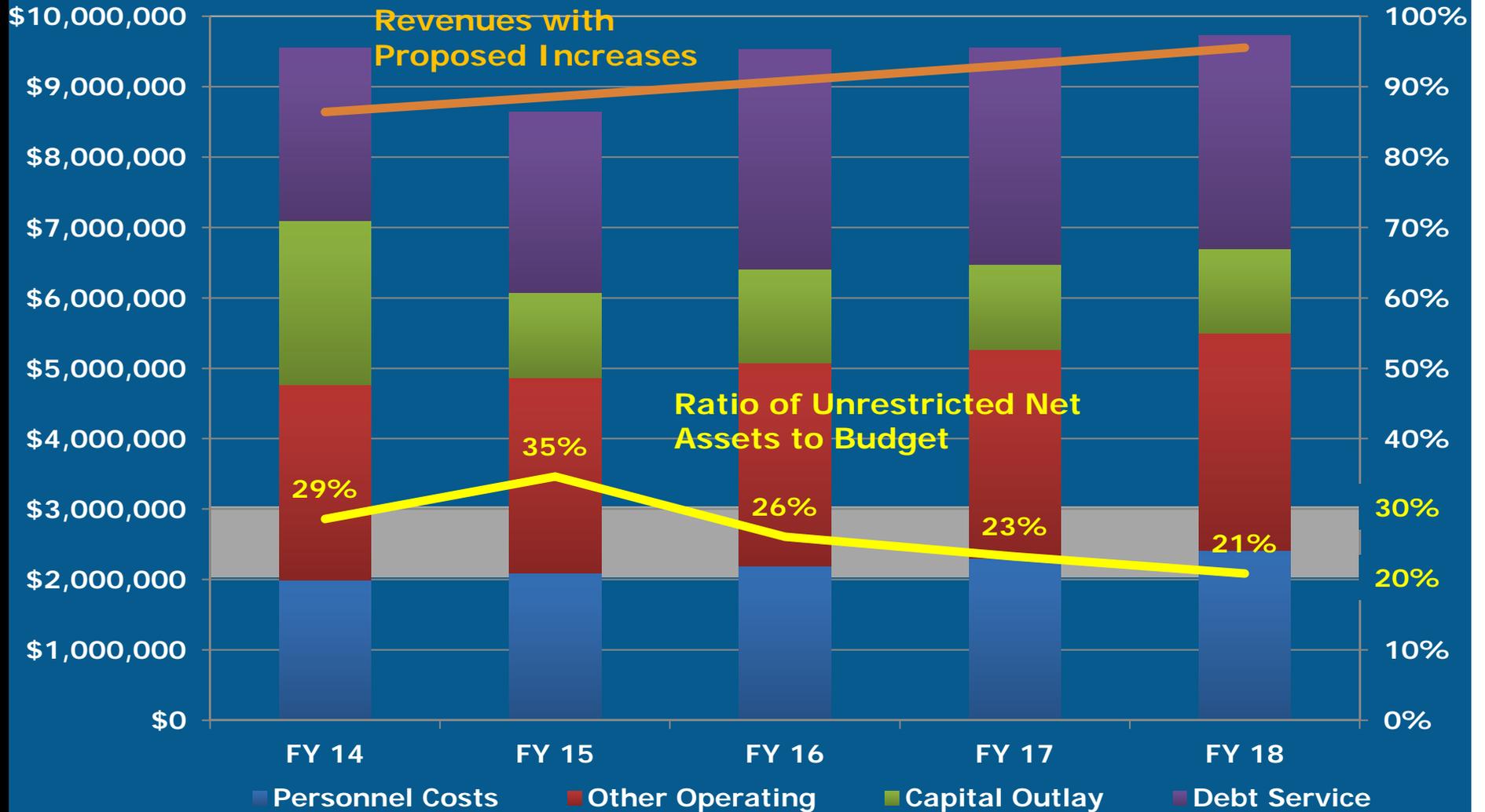
Water Fund Revenues vs. Expenses



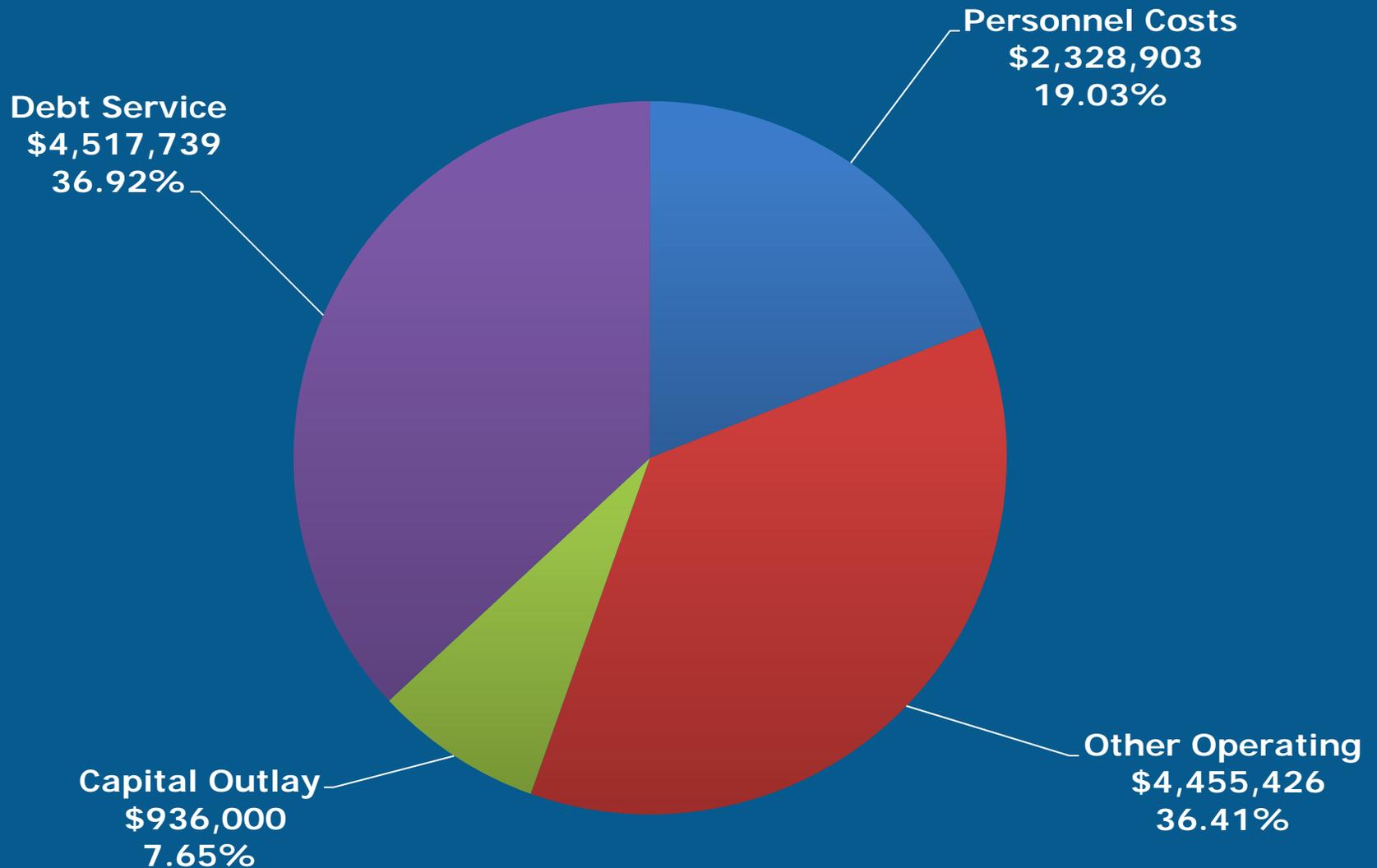
Proposed Water Fund Financial Plan

	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Proposed Increases	-	0.00%	3.00%	3.00%	3.00%	3.00%
End of Year 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%

Water Fund Revenues vs. Expenses



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

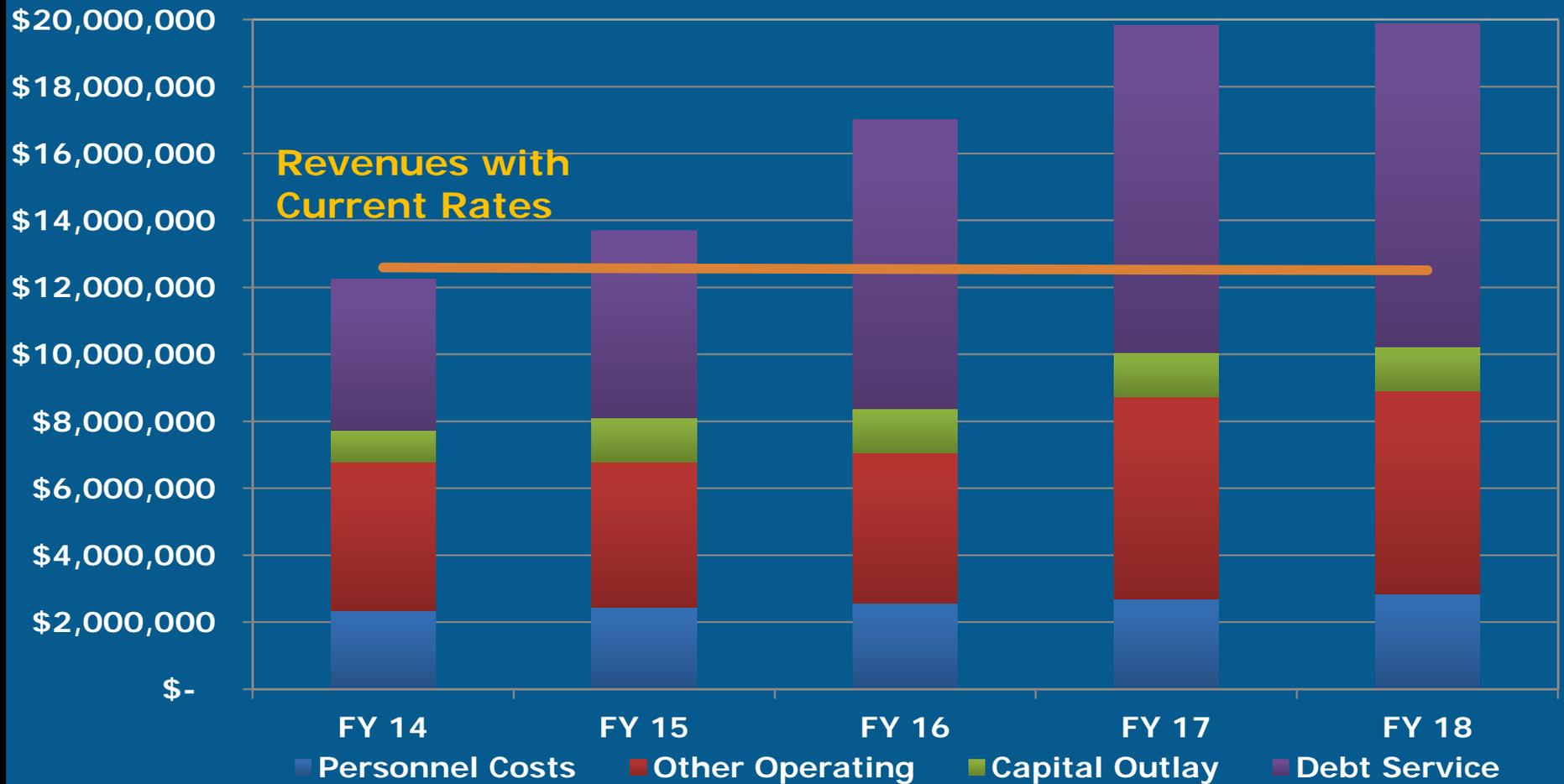
■ Capital Outlay

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

■ Debt Service

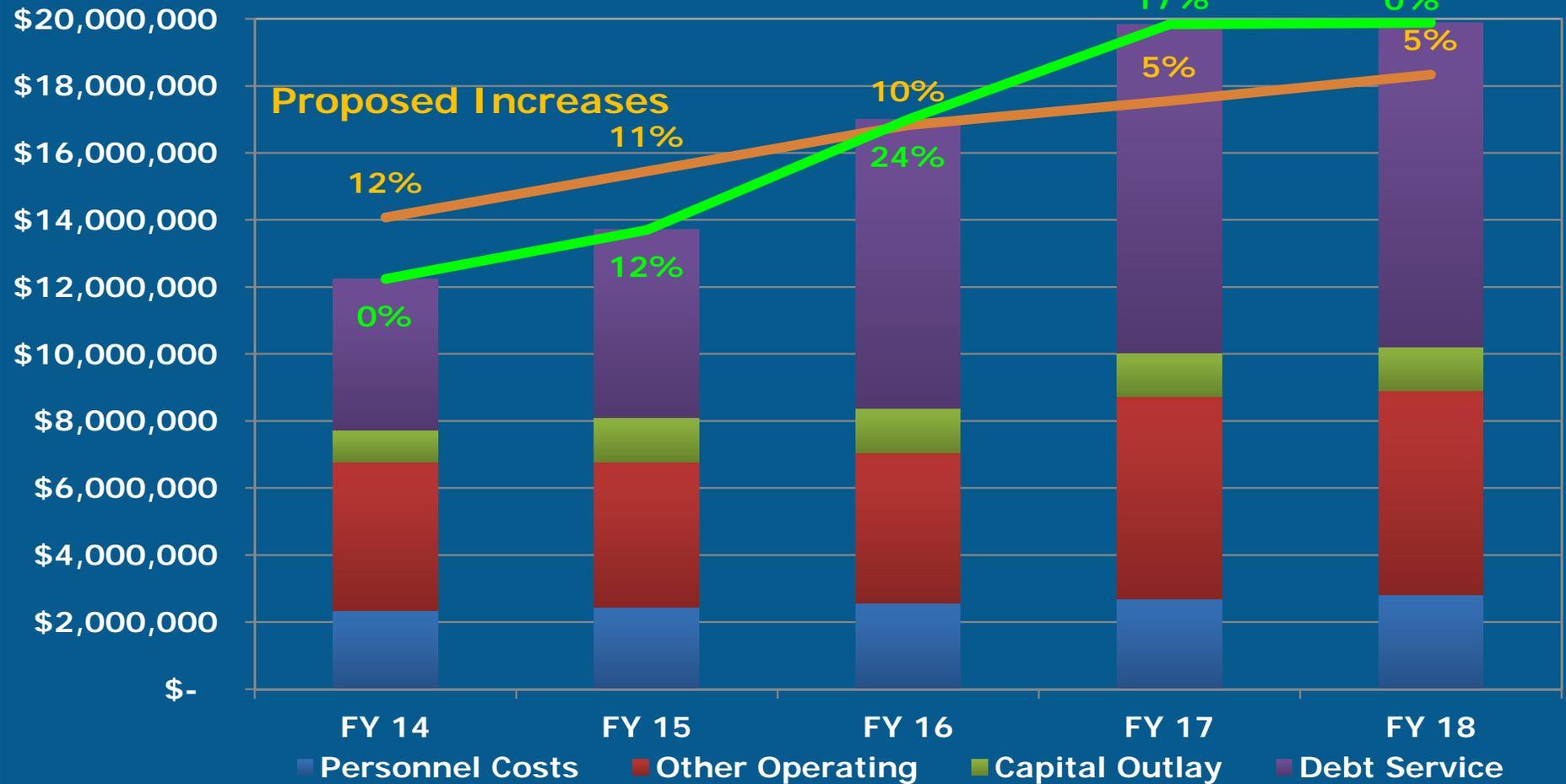
- ▶ Principal and interest on current and future loans
- ▶ Forecast based on Capital Improvements Plan
- ▶ Key cost driver is magnitude of capital projects
(WWTP upgrades - \$62.5 million)

Sewer Fund Revenues vs. Expenses



Sewer Fund Revenues vs. Expenses

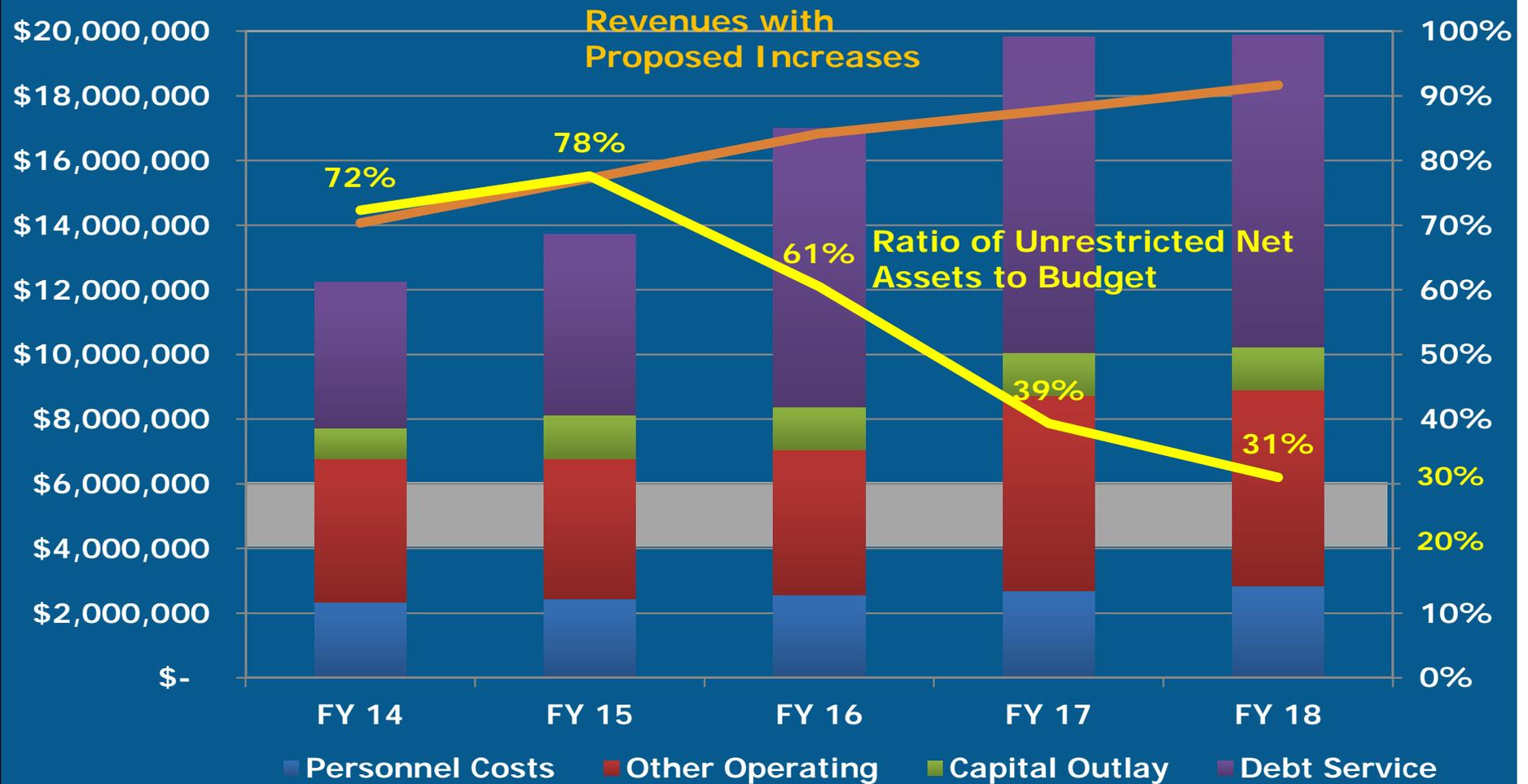
Breakeven Increases

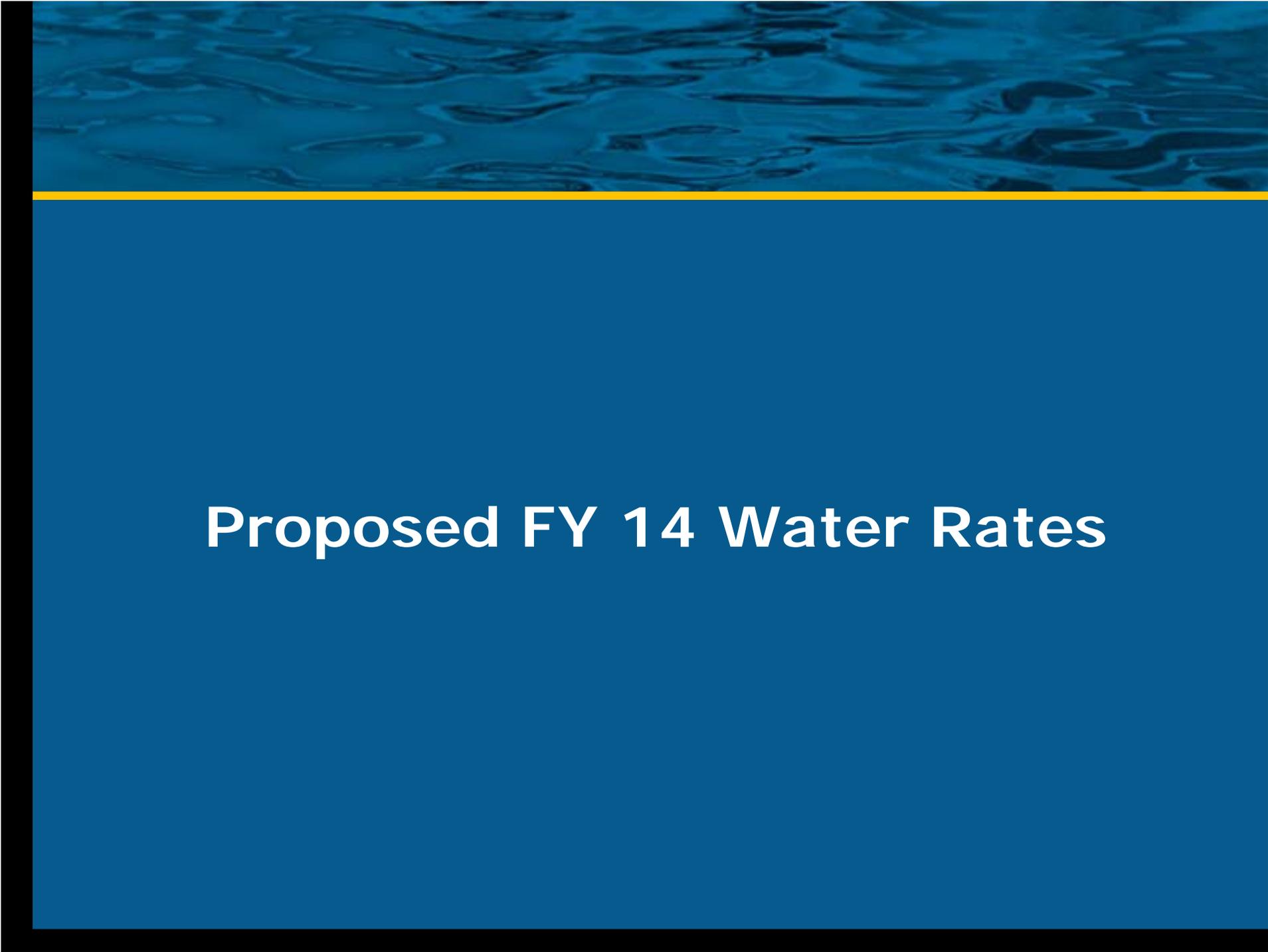


Proposed Sewer Fund Financial Plan

	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Proposed Increases	-	12.00%	11.00%	10.00%	5.00%	5.00%
End of Year 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%

Sewer Fund Revenues vs. Expenses





Proposed FY 14 Water Rates

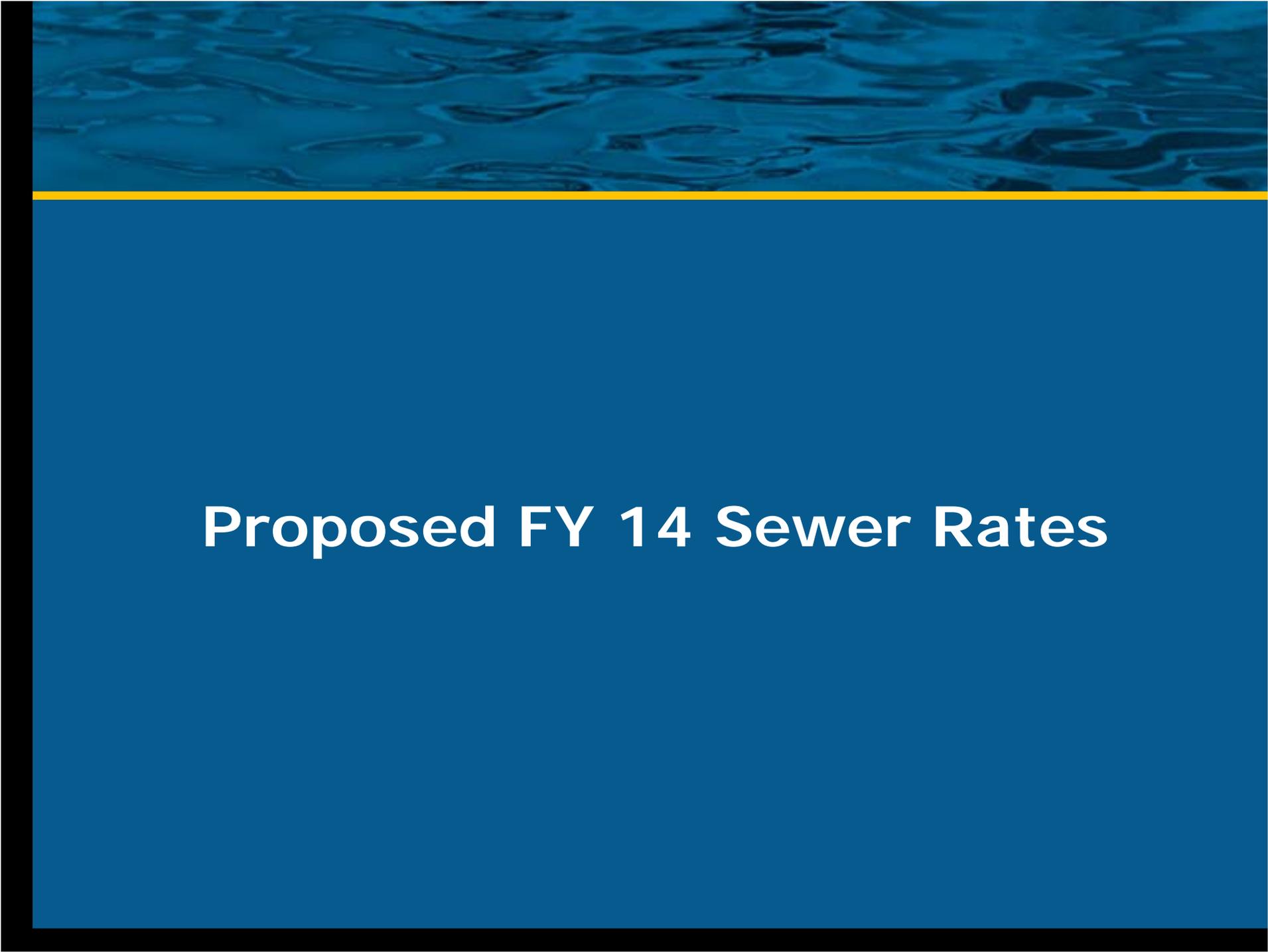
FY 14 Water Rates (same as Current Rates)

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
Tier 1: 0 – 10 Units	\$4.15 per Unit
Capital Related Rate per unit billed	\$3.11 per Unit
Over 10 units billed per month	\$1.89 per Unit
Tier 2: Over 10 Units	\$5.00 per Unit
Irrigation	
Capital Related Rate per unit billed	\$3.11 per Unit
Over 10 units billed per month	\$1.89 per Unit
All Usage	\$5.00 per Unit

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



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
Tier 1: 0 – 10 Units	\$10.68 per Unit
Capital Related Rate per unit billed	\$5.66 per Unit
Over 10 units billed per month	\$6.09 per Unit
Tier 2: Over 10 Units	\$11.75 per Unit

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

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

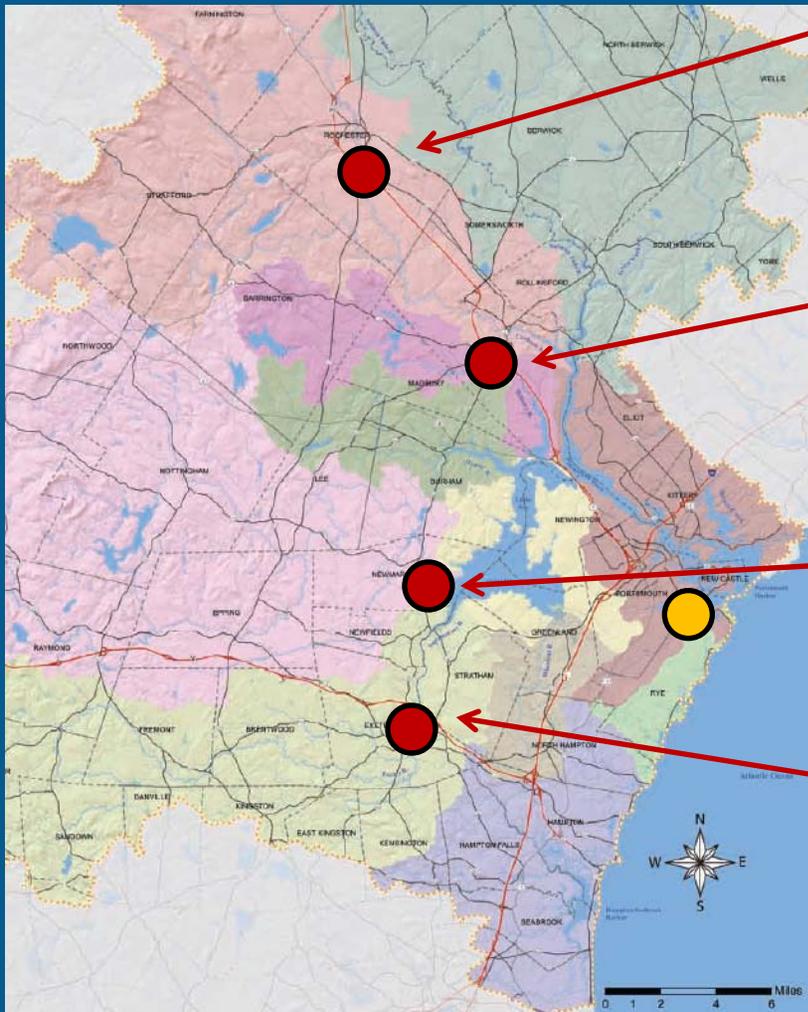
New Hampshire
Water Sustainability Commission -
Final Report

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

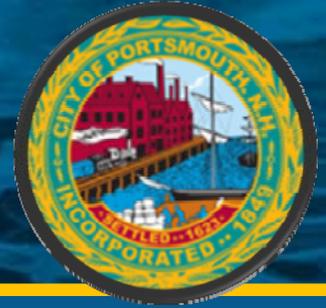
Exeter:

- \$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