

# Town of Seabrook

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**FY 2024 Water and Sewer Rate Study**

July 17, 2023

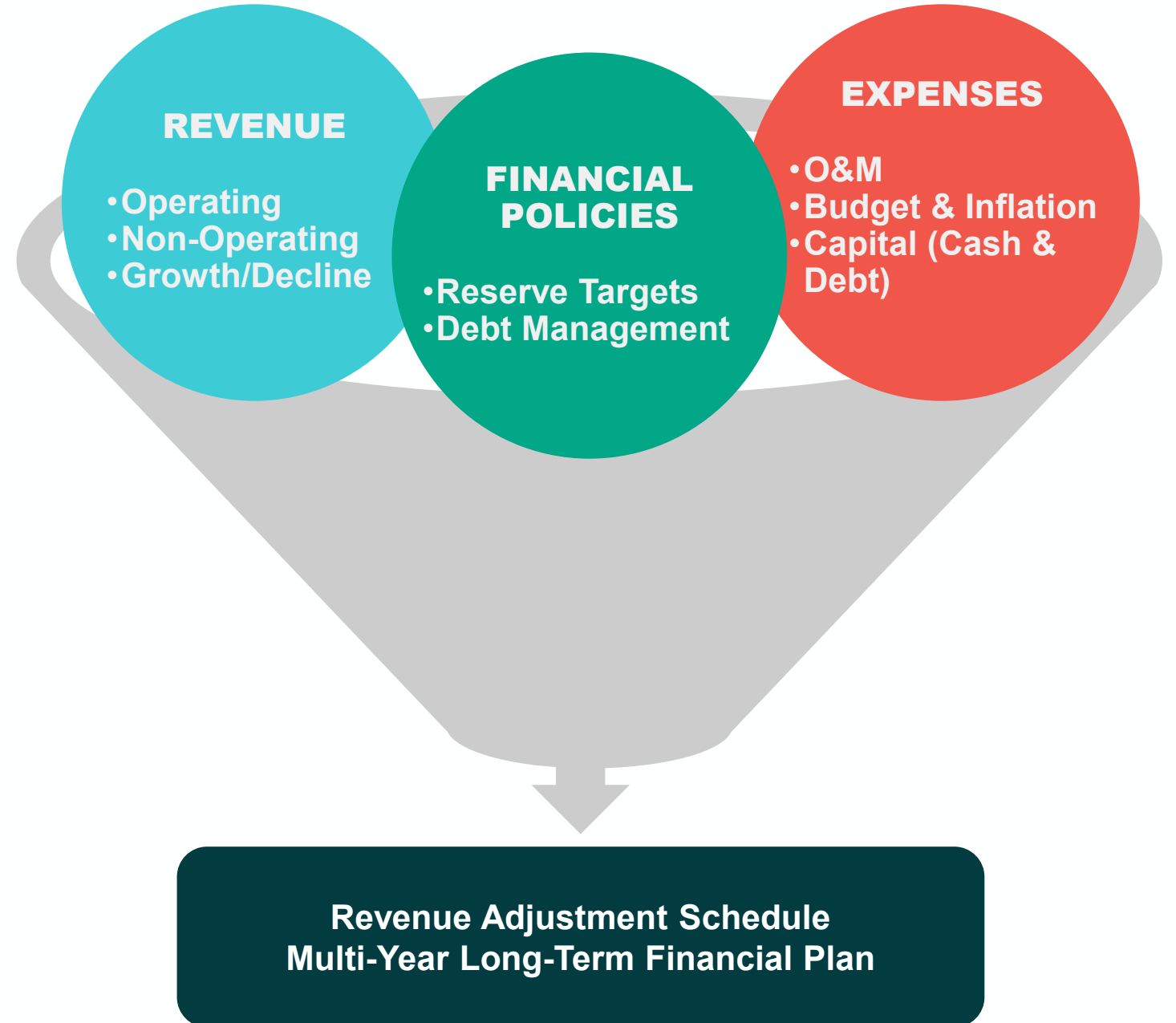


# Overview of the Rate Study

- Purpose of the Rate Study
  - › Ensure long term financial sustainability and viability for the Town's Water and Sewer Funds
  - › Analyze impacts to revenue and customers due to the need for rate increases
- Current Industry Trends and Challenges
  - › Water rates across the country are increasing by 5% per year, on average
  - › Sewer rates across the country are increasing by 6% per year, on average
  - › Inflationary impacts, aging infrastructure, and declining consumption are the biggest challenges impacting utilities throughout the country

# Financial Plan

- Models yearly cash flow and reserve balances



# Water & Sewer Financial Plans



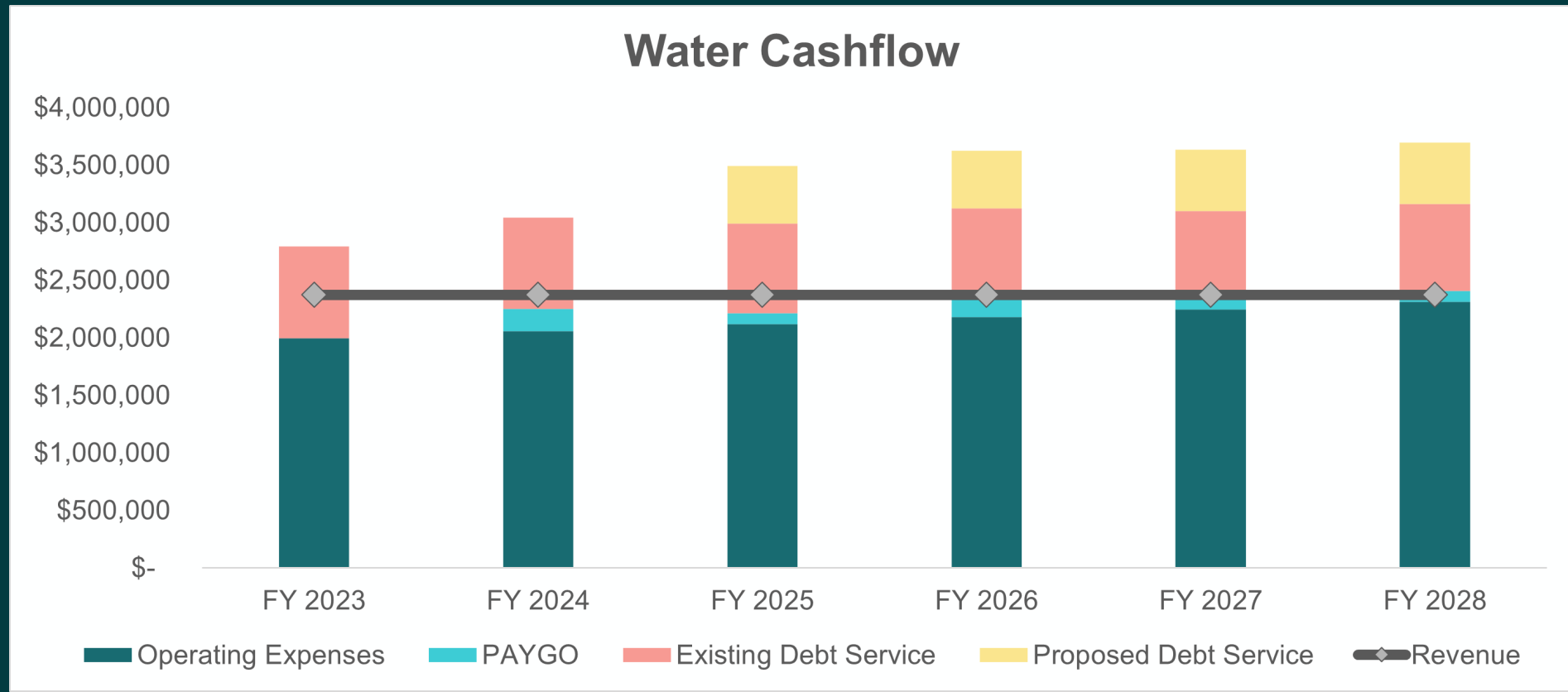
# Water Fund Overview

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
<u>Water Revenue Requirements</u>					
Operating Expenses	\$ (2,055,656)	\$ (2,117,326)	\$ (2,180,846)	\$ (2,246,271)	\$ (2,313,659)
PAYGO	(194,000)	(95,000)	(170,000)	(95,000)	(95,000)
Existing Debt Service	(792,571)	(780,823)	(774,052)	(760,845)	(753,044)
Proposed Debt Service	-	(501,485)	(501,485)	(532,369)	(532,369)
<i>Subtotal: Water Revenue Requirements</i>	<u>\$ (3,042,227)</u>	<u>\$ (3,494,635)</u>	<u>\$ (3,626,383)</u>	<u>\$ (3,634,485)</u>	<u>\$ (3,694,073)</u>

- Operation & Maintenance (O&M) expenses are projected to increase by 3% annually over the forecast period. The overall revenue requirement is projected to increase by 9% in FY 24 and 15% in FY 25 before falling to increases of 3% or less in the following years. The larger increases stem primarily from existing and future debt service payments.
- In FY 2024, the water fund is expected to spend approximately \$8.3 million on capital improvements, before decreasing to annual spending of between \$100,000-\$700,000 in the following years.
- The water fund will not be able to recover its revenue requirements in FY 24 without a transfer from another funding source.
  - › Additional revenue is needed immediately in FY 2024 and in following years to ensure financial sufficiency and viability

# Projected Water Cash Flow with No Rate Increases

\*PAYGO = cash funded capital



# Rate Increase Options

- In order to ensure financial sufficiency and avoid interfund transfers, the water fund requires significant rate increases. These increases can be spread over different periods of time. The following slides show water rate increases that would eliminate the need for a general fund transfer in periods of 1 and 5 years.
- Although the volumetric and minimum charges can be increased by different amounts, we recommend maintaining the water fund's existing proportion of revenue collected from fixed charges to ensure revenue stability.
- We have also assumed the implementation of private fire protection charges, which are an industry best practice, and will be presented later in the presentation. These charges will recover approximately \$305,000 annually.

# 1-Year Phase Out

- Pros:
  - Immediately achieves financial sufficiency
  - Only requires one major rate increase
  - Allows for rate increases below the national average in following years
  - Immediately begin building fund reserves
- Cons:
  - Would likely require significant explanation to customers
  - Could lead to price shock, particularly for low-income customers

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Volumetric	27.00%	3.00%	3.00%	3.00%	3.00%
Minimum	27.00%	3.00%	3.00%	3.00%	3.00%

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Subsidy Required	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00



# 5-Year Phase Out

- Pros:
  - Achieves financial sufficiency over a foreseeable forecast
  - Continuity in rate increases without major price shocks
  
- Cons:
  - Requires approximately a \$1.0 million dollar subsidy from the general fund
  - Would require higher-than-historical rate increases being approved annually for multiple years

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Volumetric	7.00%	7.00%	7.00%	7.00%	7.00%
Minimum	7.00%	7.00%	7.00%	7.00%	7.00%

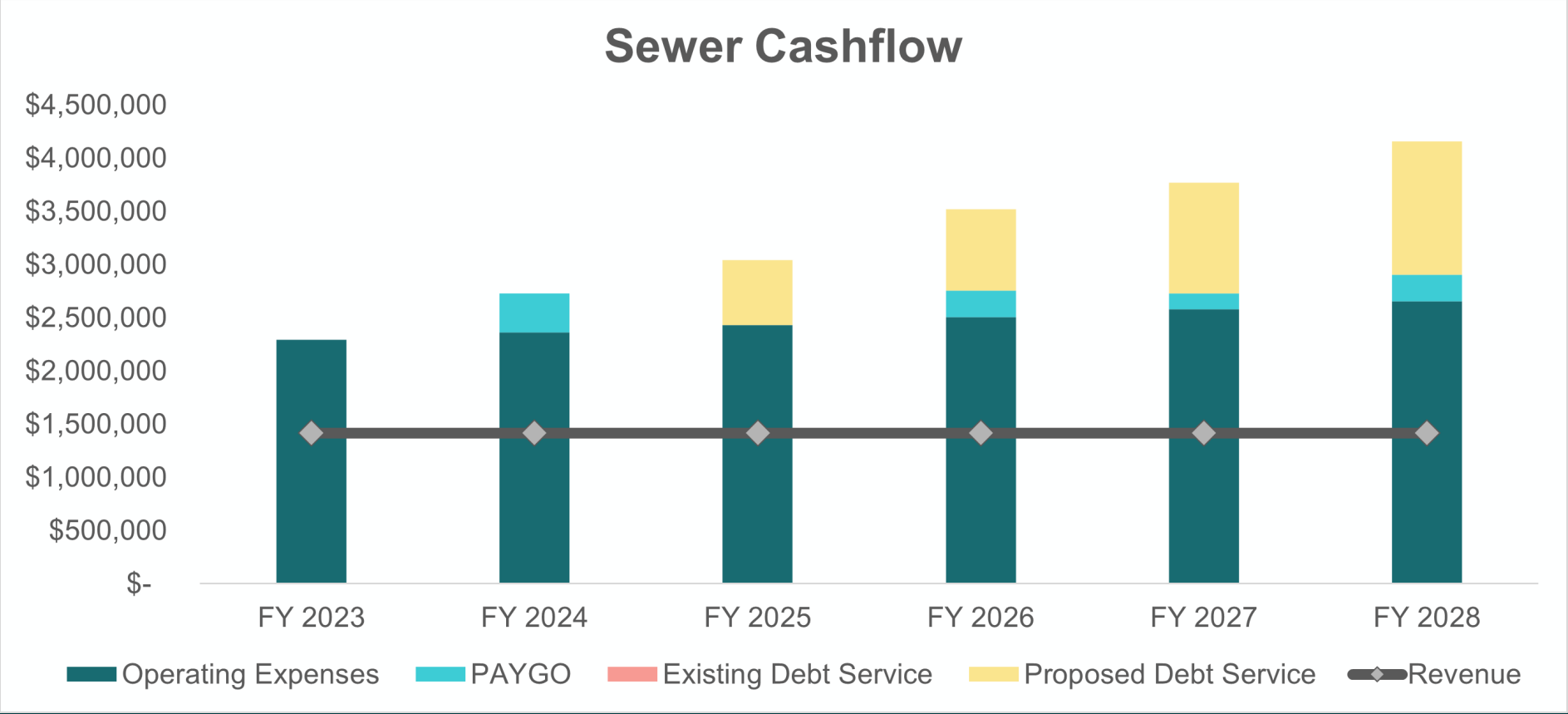
	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Subsidy Required	\$ 154,711	\$ 410,266	\$ 331,384	\$ 114,111	\$ -

# Sewer Fund Overview

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
<u>Sewer Revenue Requirements</u>					
Operating Expenses	\$ (2,359,848)	\$ (2,430,644)	\$ (2,503,563)	\$ (2,578,670)	\$ (2,656,030)
PAYGO	(369,000)	-	(250,000)	(150,000)	(245,000)
Existing Debt Service	-	-	-	-	-
Proposed Debt Service	-	(611,567)	(764,459)	(1,039,664)	(1,253,713)
<i>Subtotal: Sewer Revenue Requirements</i>	<u>\$ (2,728,848)</u>	<u>\$ (3,042,211)</u>	<u>\$ (3,518,022)</u>	<u>\$ (3,768,334)</u>	<u>\$ (4,154,743)</u>

- Operation & Maintenance (O&M) expenses are projected to increase by approximately 3% annually over the course of the forecast period. The overall sewer revenue requirement is expected to increase between 7-19% annually, with the biggest contributions coming from proposed debt service.
- From FY 2023 to FY 2028, the sewer fund is expected to spend approximately \$2-10 million annually on capital improvements
- The sewer fund will not be able to recover its revenue requirements in FY 24 without a transfer from another funding source.
  - › Additional revenue is needed immediately in FY 2024 and in following years to ensure financial sufficiency and viability

# Projected Sewer Cash Flow with No Rate Increases



# Rate Increase Options

- The sewer fund also requires significant rate increases to achieve self-sufficiency and avoid needing interfund transfers. These increases can also be spread over different periods of time. The following slides show the sewer rate increases needed to eliminate general fund transfers in periods of 1 and 5 years.
- Although the volumetric and minimum charges can be increased by different amounts, we recommend maintaining the sewer fund's existing proportion of revenue collected from fixed charges to ensure revenue stability.

# 1-Year Phase Out

- Pros:
  - Immediately achieves financial sufficiency
  - Only requires one major rate increase
  - Allows for rate increases below the national average in following years
  - Immediately begin building fund reserves
- Cons:
  - Will require significant explanation to customers
  - Will likely lead to price shock, particularly for low-income customers

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Volumetric	140.00%	3.00%	3.00%	3.00%	3.00%
Minimum	140.00%	3.00%	3.00%	3.00%	3.00%

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Subsidy Required	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

# 5-Year Phase Out

- Pros:
  - Achieves financial sufficiency over a foreseeable forecast
  - Continuity in rate increases without major year-over-year price shocks

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Volumetric	24.00%	24.00%	24.00%	24.00%	24.00%
Minimum	24.00%	24.00%	24.00%	24.00%	24.00%

- Cons:
  - Requires approximately a \$2.9 million dollar subsidy from the general fund
  - Would require significantly higher-than-historical rate increases being approved annually for multiple years

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Subsidy Required	\$ 942,233	\$ 829,591	\$ 777,156	\$ 372,444	\$ -

# Rates & Customer Impacts (1 & 5-year phase-outs)



# 1-Year Phase-Out Volumetric Water Rates– FY 2024 – FY 2028

<u>Volumetric Charges (per Kgal)</u>	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Residential</u></b>						
Tier 1: 0-5	\$ 1.14	\$ 1.45	\$ 1.49	\$ 1.54	\$ 1.58	\$ 1.63
Tier 2: >5-13.5	2.96	3.76	3.87	3.99	4.11	4.23
Tier 3: >13.5-25	4.81	6.11	6.29	6.48	6.68	6.88
Tier 4: >25-250	6.65	8.45	8.70	8.96	9.23	9.51
Tier 5: >250	8.48	10.77	11.09	11.43	11.77	12.12
<b><u>Commercial</u></b>						
Tier 1: 0-5	\$ 1.69	\$ 2.15	\$ 2.21	\$ 2.28	\$ 2.35	\$ 2.42
Tier 2: >5-13.5	4.44	5.64	5.81	5.98	6.16	6.35
Tier 3: >13.5-25	7.20	9.14	9.42	9.70	9.99	10.29
Tier 4: >25-250	9.96	12.65	13.03	13.42	13.82	14.24
Tier 5: >250	12.71	16.14	16.63	17.12	17.64	18.17



# 5-Year Phase-Out Volumetric Water Rates– FY 2024 – FY 2028

<u>Volumetric Charges (per Kgal)</u>	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Residential</u></b>						
Tier 1: 0-5	\$ 1.14	\$ 1.22	\$ 1.31	\$ 1.40	\$ 1.49	\$ 1.60
Tier 2: >5-13.5	2.96	3.17	3.39	3.63	3.88	4.15
Tier 3: >13.5-25	4.81	5.15	5.51	5.89	6.30	6.75
Tier 4: >25-250	6.65	7.12	7.61	8.15	8.72	9.33
Tier 5: >250	8.48	9.07	9.71	10.39	11.12	11.89
<b><u>Commercial</u></b>						
Tier 1: 0-5	\$ 1.69	\$ 1.81	\$ 1.93	\$ 2.07	\$ 2.22	\$ 2.37
Tier 2: >5-13.5	4.44	4.75	5.08	5.44	5.82	6.23
Tier 3: >13.5-25	7.20	7.70	8.24	8.82	9.44	10.10
Tier 4: >25-250	9.96	10.66	11.40	12.20	13.06	13.97
Tier 5: >250	12.71	13.60	14.55	15.57	16.66	17.83

# 1-Year Phase-Out Base Water Rates– FY 2024 – FY 2028

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Water Users</u></b>						
5/8"	\$ 16.24	\$ 20.62	\$ 21.24	\$ 21.88	\$ 22.54	\$ 23.21
3/4"	24.36	30.94	31.87	32.82	33.81	34.82
1"	40.61	51.57	53.12	54.72	56.36	58.05
1 1/2"	81.20	103.12	106.22	109.40	112.69	116.07
2"	129.90	164.97	169.92	175.02	180.27	185.68
3"	259.80	329.95	339.84	350.04	360.54	371.36
4"	405.92	515.52	530.98	546.91	563.32	580.22
6"	811.83	1,031.02	1,061.95	1,093.81	1,126.63	1,160.43
8"	1,298.92	1,649.63	1,699.12	1,750.09	1,802.59	1,856.67

# 5-Year Phase-Out Base Water Rates– FY 2024 – FY 2028

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Water Users</u></b>						
5/8"	\$ 16.24	\$ 17.38	\$ 18.59	\$ 19.89	\$ 21.29	\$ 22.78
3/4"	24.36	26.07	27.89	29.84	31.93	34.17
1"	40.61	43.45	46.49	49.75	53.23	56.96
1 1/2"	81.20	86.88	92.97	99.47	106.44	113.89
2"	129.90	138.99	148.72	159.13	170.27	182.19
3"	259.80	277.99	297.45	318.27	340.54	364.38
4"	405.92	434.33	464.74	497.27	532.08	569.32
6"	811.83	868.66	929.46	994.53	1,064.14	1,138.63
8"	1,298.92	1,389.84	1,487.13	1,591.23	1,702.62	1,821.80

# 1-Year Phase-Out Private Fire Rates– FY 2024 – FY 2028

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Water Users</u></b>						
0.75"	\$ -	\$ 1.58	\$ 1.62	\$ 1.67	\$ 1.72	\$ 1.77
1"	-	3.36	3.46	3.56	3.67	3.78
1.5"	-	9.76	10.05	10.35	10.66	10.98
2"	-	20.79	21.41	22.06	22.72	23.40
2.5"	-	37.39	38.51	39.66	40.85	42.08
3"	-	60.39	62.20	64.07	65.99	67.97
4"	-	128.69	132.55	136.53	140.62	144.84
6"	-	373.82	385.04	396.59	408.49	420.74
8"	-	796.62	820.52	845.14	870.49	896.61
10"	-	1,432.61	1,475.59	1,519.85	1,565.45	1,612.41
12"	-	2,314.06	2,383.48	2,454.98	2,528.63	2,604.49
<sup>2</sup> Private Hydrants	-	373.82	385.04	396.59	408.49	420.74

# 5-Year Phase-Out Private Fire Rates– FY 2024 – FY 2028

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Water Users</u></b>						
0.75"	\$ -	\$ 1.58	\$ 1.69	\$ 1.80	\$ 1.93	\$ 2.07
1"	-	3.36	3.59	3.84	4.11	4.40
1.5"	-	9.76	10.44	11.17	11.95	12.79
2"	-	20.79	22.24	23.80	25.47	27.25
2.5"	-	37.39	40.00	42.80	45.80	49.01
3"	-	60.39	64.62	69.14	73.98	79.16
4"	-	128.69	137.70	147.34	157.65	168.69
6"	-	373.82	399.99	427.99	457.95	490.00
8"	-	796.62	852.39	912.06	975.90	1,044.21
10"	-	1,432.61	1,532.89	1,640.19	1,755.00	1,877.86
12"	-	2,314.06	2,476.04	2,649.36	2,834.82	3,033.25
<sup>2</sup> Private Hydrants	-	373.82	399.99	427.99	457.95	490.00

# 1-Year Phase-Out Volumetric Sewer Rates– FY 2024 – FY 2028

<u>Volumetric Charges (per Kgal)</u>	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Residential</u></b>						
Tier 1: 0-5	\$ 0.64	\$ 1.54	\$ 1.58	\$ 1.63	\$ 1.68	\$ 1.73
Tier 2: >5-13.5	1.64	3.94	4.05	4.18	4.30	4.43
Tier 3: >13.5-25	2.65	6.36	6.55	6.75	6.95	7.16
Tier 4: >25-250	3.65	8.76	9.02	9.29	9.57	9.86
Tier 5: >250	4.66	11.18	11.52	11.87	12.22	12.59
<b><u>Commercial</u></b>						
Tier 1: 0-5	\$ 0.92	\$ 2.21	\$ 2.27	\$ 2.34	\$ 2.41	\$ 2.49
Tier 2: >5-13.5	2.43	5.83	6.01	6.19	6.37	6.56
Tier 3: >13.5-25	3.94	9.46	9.74	10.03	10.33	10.64
Tier 4: >25-250	5.45	13.08	13.47	13.88	14.29	14.72
Tier 5: >250	6.97	16.73	17.23	17.75	18.28	18.83

# 5-Year Phase-Out Volumetric Sewer Rates– FY 2024 – FY 2028

<u>Volumetric Charges (per Kgal)</u>	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Residential</u></b>						
Tier 1: 0-5	\$ 0.64	\$ 0.79	\$ 0.98	\$ 1.22	\$ 1.51	\$ 1.88
Tier 2: >5-13.5	1.64	2.03	2.52	3.13	3.88	4.81
Tier 3: >13.5-25	2.65	3.29	4.07	5.05	6.27	7.77
Tier 4: >25-250	3.65	4.53	5.61	6.96	8.63	10.70
Tier 5: >250	4.66	5.78	7.17	8.88	11.02	13.66
<b><u>Commercial</u></b>						
Tier 1: 0-5	\$ 0.92	\$ 1.14	\$ 1.41	\$ 1.75	\$ 2.18	\$ 2.70
Tier 2: >5-13.5	2.43	3.01	3.74	4.63	5.75	7.12
Tier 3: >13.5-25	3.94	4.89	6.06	7.51	9.32	11.55
Tier 4: >25-250	5.45	6.76	8.38	10.39	12.88	15.98
Tier 5: >250	6.97	8.64	10.72	13.29	16.48	20.43

# 1-Year Phase-Out Base Sewer Rates– FY 2024 – FY 2028

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Sewer Users</u></b>						
5/8"	\$ 16.24	\$ 38.98	\$ 40.15	\$ 41.35	\$ 42.59	\$ 43.87
3/4"	24.36	58.46	60.22	62.02	63.89	65.80
1"	40.61	97.46	100.39	103.40	106.50	109.70
1 1/2"	81.20	194.88	200.73	206.75	212.95	219.34
2"	129.90	311.76	321.11	330.75	340.67	350.89
3"	259.80	623.52	642.23	661.49	681.34	701.78
4"	405.92	974.21	1,003.43	1,033.54	1,064.54	1,096.48
6"	811.83	1,948.39	2,006.84	2,067.05	2,129.06	2,192.93
8"	1,298.92	3,117.41	3,210.93	3,307.26	3,406.48	3,508.67



# 5-Year Phase-Out Base Sewer Rates– FY 2024 – FY 2028

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b><u>Sewer Users</u></b>						
5/8"	\$ 16.24	\$ 20.14	\$ 24.97	\$ 30.96	\$ 38.39	\$ 47.61
3/4"	24.36	30.21	37.46	46.45	57.59	71.41
1"	40.61	50.36	62.44	77.43	96.01	119.05
1 1/2"	81.20	100.69	124.85	154.82	191.97	238.05
2"	129.90	161.08	199.73	247.67	307.11	380.82
3"	259.80	322.15	399.47	495.34	614.22	761.64
4"	405.92	503.34	624.14	773.94	959.68	1,190.01
6"	811.83	1,006.67	1,248.27	1,547.85	1,919.34	2,379.98
8"	1,298.92	1,610.66	1,997.22	2,476.55	3,070.92	3,807.95

# Typical Residential (1-Year Phase-Out) – 9 kgal/quarter; 5/8” meter

Typical Residential Customer



Increase	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Annual (\$)	\$ 399.05	\$ 26.94	\$ 27.75	\$ 28.58	\$ 29.44
Monthly (\$)	33.25	2.25	2.31	2.38	2.45
Daily (\$)	1.09	0.07	0.08	0.08	0.08
% Change	80%	3%	3%	3%	3%

# Typical Residential (5-Year Phase-Out) – 9 kgal/quarter; 5/8” meter

Typical Residential Customer



Increase	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Annual (\$)	\$ 74.69	\$ 89.47	\$ 107.56	\$ 129.77	\$ 157.05
Monthly (\$)	6.22	7.46	8.96	10.81	13.09
Daily (\$)	0.20	0.25	0.29	0.36	0.43
% Change	15%	16%	16%	17%	17%

**Thank you!**



**RAFTELIS**