



City of Nashua
Wastewater Fund Rate/Revenue Requirement Analysis
September 2016

Presented on 7/25/2016 to the Mayor and Director of Public Works
Presented on 9/29/2016 to the Board of Public Works

Wastewater Fund Rate/Revenue Requirements Analysis

- Analysis of the Wastewater Fund for FY16 through FY22
 - Revenues – FY16 - \$13.1M
 - Volumetric Revenues – Approximately 60% of User Fee Revenue
 - Demand (Meter) Revenues – Approximately 40% of User Fee Revenue
 - Estimated Revenues – Projected to Increase to \$16.1M in FY19
 - Estimated Debt Service Payments – Increase from \$4.2M in FY16 to \$6.4M in FY19
 - Unrestricted Net Assets – 6/30/15 – \$14,400,000 – will be reduced in next few years
 - Annual Review – November of each year after annual audit
 - Rate Increases – FY17 and FY19 would take effect on January 1
- Current issues impacting the Wastewater Fund include:
 - EPA requirements/regulations
 - Aging Infrastructure – Sewer System & Treatment Plant
 - State Aid Grant Funding – continued deferment

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Background

- Last rate analysis completed November 2013 resulted in 15% user fee rate/revenue increase effective January 1, 2014 (FY14).
 - FY14 Rate Increase was applied as follows:
 - 15% Increase in Volumetric Rate
 - 15% Increase Demand Rate
- History of Rate Adjustments:
 - FY04 Volumetric Rate Reduced from \$1.66 to \$1.22 per 100 cf
 - FY10 Volumetric Rate Increased from \$1.22 to \$1.55 per 100 cf
 - FY12 Volumetric Rate Increased from \$1.55 to \$1.78 per 100 cf
 - FY14 Volumetric Rate Increased from \$1.78 to \$2.05 per 100 cf

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Recommendation:

- Approval of a 15% increase in the wastewater user fee rates effective January 1, 2017:
 - Volumetric Rate Increase from \$2.05 to \$2.36 per 100 cf;
 - Average Quarterly Residential Demand Charge Increase from \$27.77 to \$31.94

 - Average Quarterly Residential Bill - \$79.14
 - Quarterly Increase - \$10.37

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Cost Analysis

- The Analysis includes the cost of operations, several capital projects, as well as an updated **WERF** (Wastewater Equipment Reserve Fund) schedule.
- Capital equipment replacement (WERF) costs for the next three fiscal years are projected as follows:
 - FY17 \$2.1 million
 - FY18 \$1.9 million
 - FY19 \$0.4 million

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Cost Analysis

□ Capital Projects & Expenditures

■ Funded with Debt:

- FY17 \$13.4 million
- FY18 \$0.9 million
- FY19 None

■ Funded with Cash:

- FY17 \$8.0 million (of which \$4.1 million relates to annual expenditures)
- FY18 \$2.6 million
- FY19 \$2.7 million

Wastewater Fund Rate/Revenue Requirements Analysis

Community Comparison

- Below is a comparison of current user fees for Nashua residents to similar communities in New Hampshire:

	Nashua <i>(current)</i>	Nashua <i>(proposed)</i>	Derry	Manchester	Concord	Keene
Volumetric Rate per CCF	\$2.05	\$2.36	\$2.98	\$3.47	\$4.61	\$5.69
Fixed Charge – Avg. Quarterly	\$27.77	\$31.94	\$35.66	\$21.18	\$41.49	\$55.15
Avg. Quarterly Residential Bill	\$68.77	\$79.14	\$80.36	\$90.58	\$92.20	\$168.95

- Notes:

- Average use 20 CCFs/Quarter.
- Concord Rates change September 1 – above uses current rates.
- Derry & Concord have “break points”/minimums in fixed charges.

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Summary

- Moving forward with the recommended revenue increase and debt financing should allow the City to:
 - Fund normal operating costs;
 - Meet EPA requirements;
 - Adequately fund reserves for future equipment needs;
 - Fund improvements with cash; and
 - Pay for the increase in debt service payments during the next several fiscal years.