



Town of Hanover



Update and Recommendations on
Water Rates
October 5, 2015

What does the water rate cover?

- Water Treatment Costs
- Water Distribution Costs
- Administrative Costs
- Indirect Costs
- Debt Service



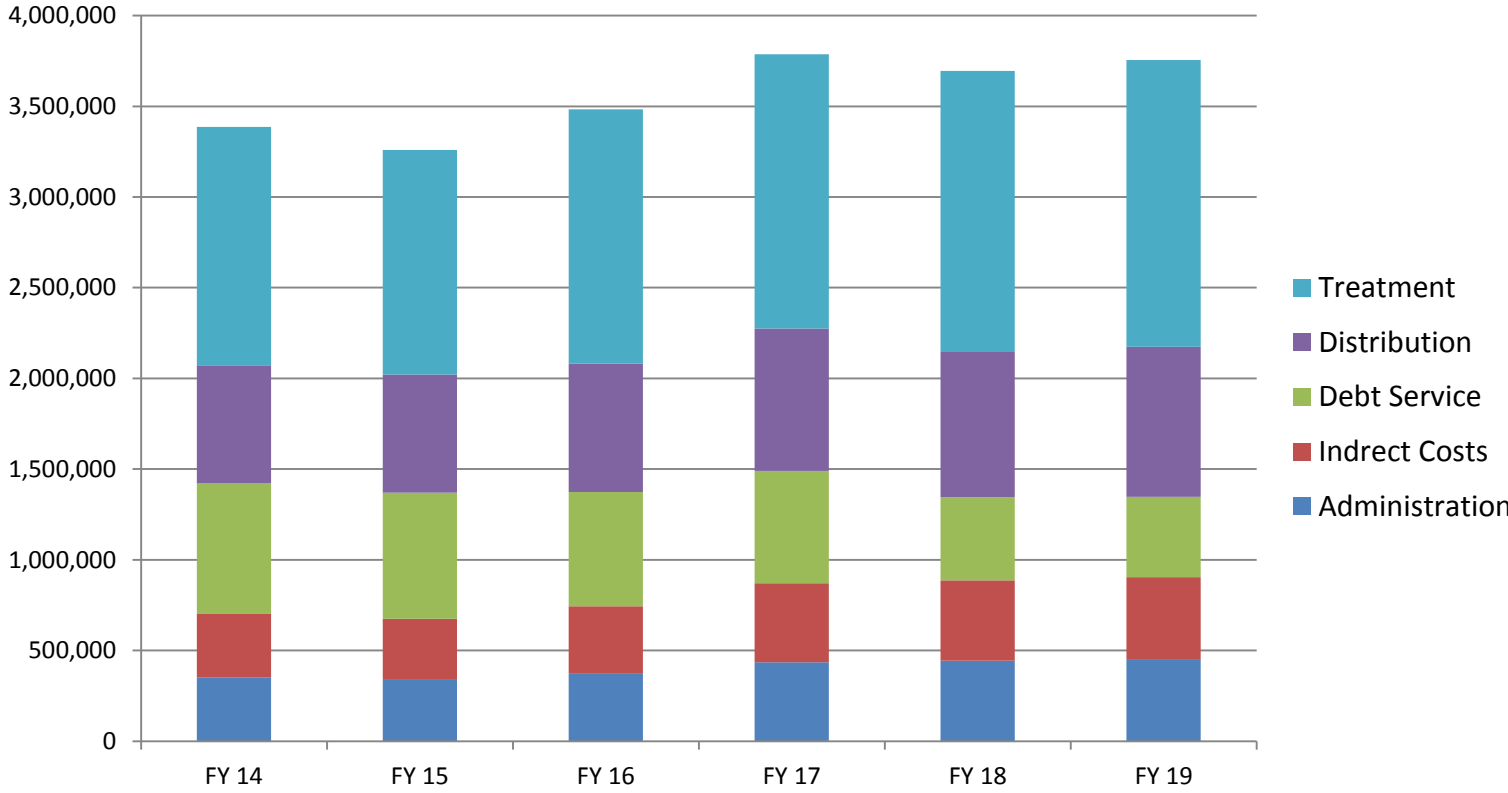
Water Budget History

	FY 14	FY 15	FY 16	FY 17*	FY 18*	FY 19*
<u>Operating Budget</u>						
* Projected						
<u>Current Year Operations</u>						
Water Administration	350,300	337,300	372,109	435,110	443,650	452,165
Water Treatment	1,313,400	1,238,699	1,401,339	1,506,135	1,538,300	1,574,100
Water Distribution	652,450	651,839	707,775	775,635	795,600	817,200
Subtotal - Current Year Operations	2,316,150	2,227,838	2,481,223	2,716,880	2,777,550	2,834,465
Indirect Costs	358,739	358,739	358,739	378,530	400,000	423,200
Existing Debt Service	719,739	694,540	629,782	619,793	457,324	442,372
New Debt Service	0	0	0	20,000	207,000	204,000
Water Main Replacement Fund	0	0	0	200,000	200,000	200,000
Total Water Budget	3,394,628	3,281,117	3,469,744	3,935,203	4,041,874	4,113,037
Water Revenues (rates)	3,229,982	3,392,143	3,807,981	4,364,410	4,434,609	4,505,956
Water Revenues (liens, interest, fees)	158,317	135,740	0	0	0	0
Total Water Revenues	3,388,299	3,527,883	3,807,981	4,364,410	4,434,609	4,505,956

Notable Changes to Future Budgets (FY 17 and beyond)

- Increase in Engineering Support (\$40,000)
- Increases in public communication costs (\$15,000)
- One new treatment plant operator (3rd shift) (\$55,000)
- Slight reduction in treatment plant overtime (-\$10,000)
- Budget for the landfilling of dried treatment plant residuals (\$25,000)
- Increases in police detail costs (\$8,000)
- Partial outsourcing of meter installations (\$20,000)
- Increased support costs water distribution garage (\$12,000)
- Doubling of leak detection to twice per year (\$11,000)
- Growth in indirect costs
- New debt to fund capital improvements as existing debt retires
- Water main replacement fund (\$200,000)

Water Budget



What does a well designed water rate provide?

Financial stability for the water operation

- not a burden on the general fund**

Reliability, now and into the future

- no compromises to preventive maintenance**
- adequate staffing levels**

Compliance with all state and federal water quality standards

Ability to plan for the future and fund necessary improvements

Current Water Rate Structure

Approved 11/5/2012

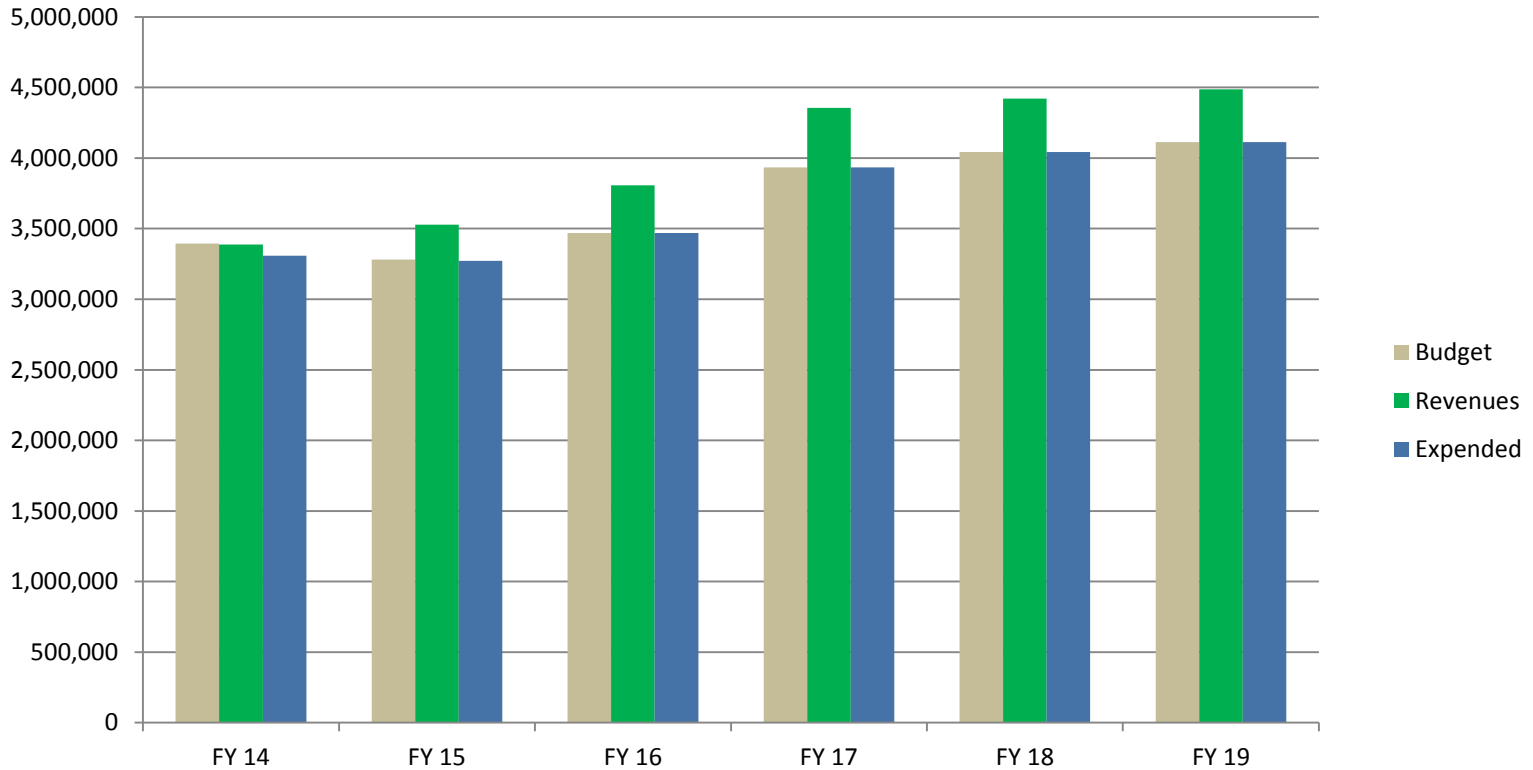
Meter Size	Quarterly Charge
5/8 in x 3/4 in	\$35.84
3/4 in	\$60.18
1 inch	\$95.55
1.5 inch	\$191.04
2 inch	\$287.64
>2 inch	\$597.06

Usage Tier	Rate per 100 cubic feet
0 – 500 cubic feet	\$2.64
501-3000 cubic feet	\$4.97
3001+ cubic feet	\$8.20

- The last rate increase was approved on November 5, 2012 (FY 13).
- The last rate increase presentation proposed following up the rate increase with subsequent 1.5% increases in FY 14 and FY 15. This was not done due to the recession.
- The current rate still relies upon summer revenues to subsidize winter operations. This is fine in a normal year, but water restrictions impact the ability of the rate structure to adequately cover expenses. The proposed new rates are based on historical consumption from water restriction years and as such are less dependent on summer revenues
- The existing rate is inadequate to support the current budget with the increases that are needed to better enhance reliability and address aging infrastructure. An adjustment is needed.

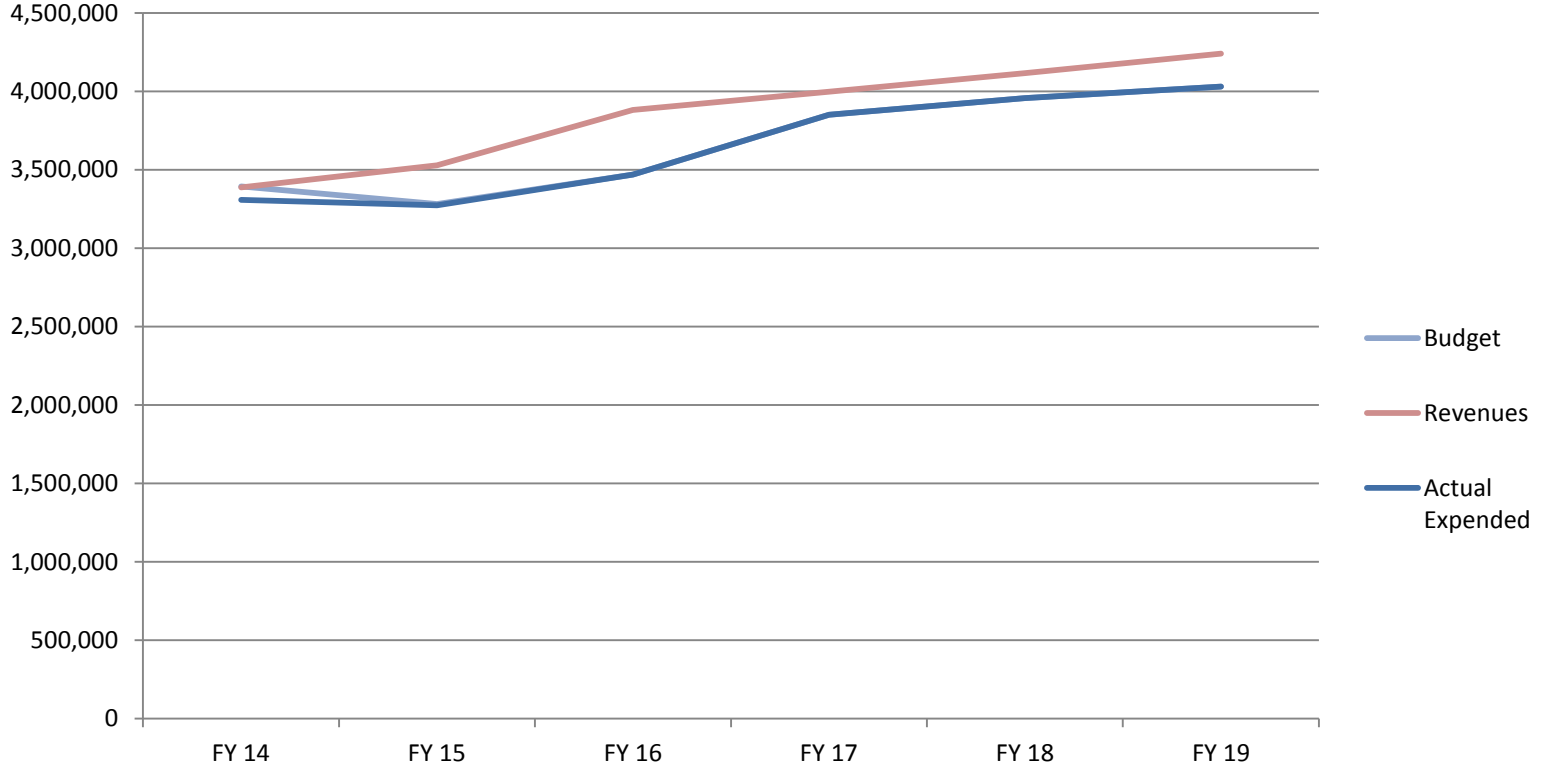


Budget and Expended Amounts Versus Revenues

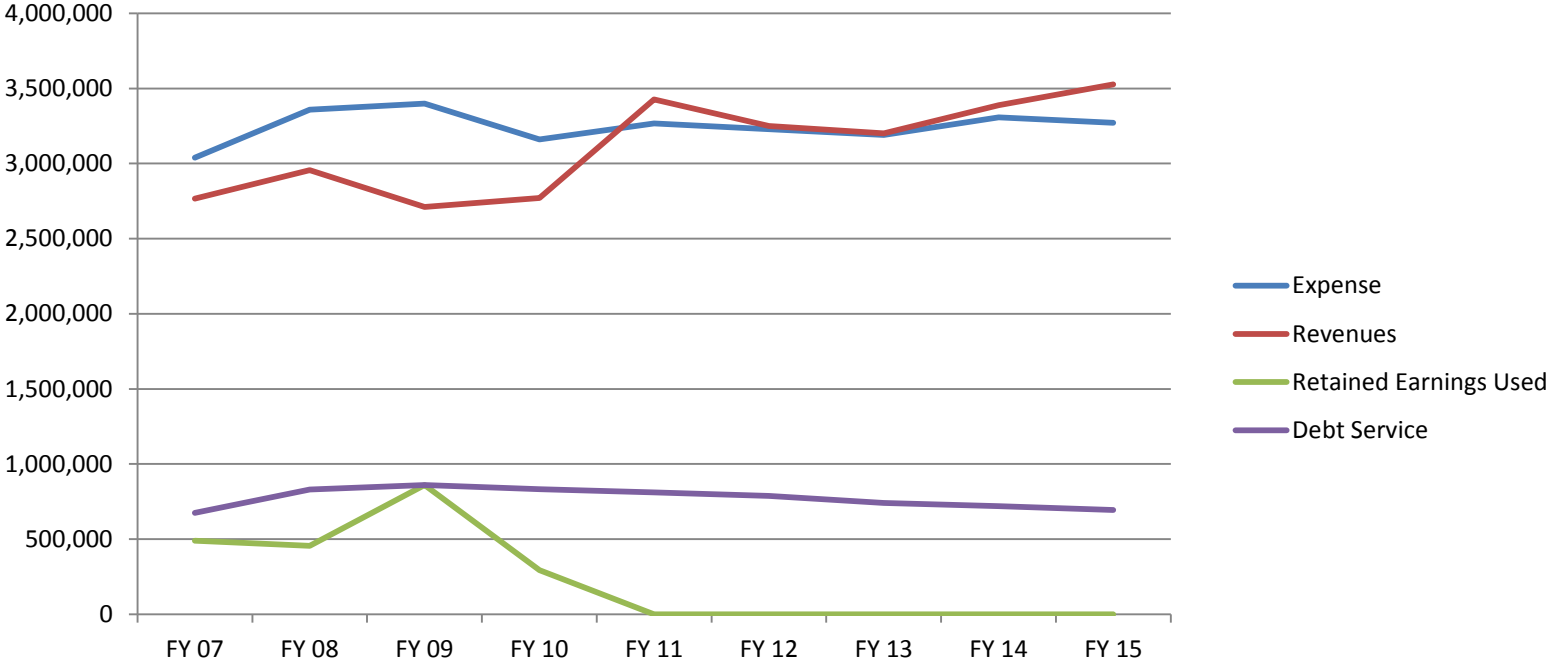


Projections based on 6% rate increases for FY 16 and FY 17 and subsequent 1.5% increase in FY 18-FY 19 along with a restructuring of the high end tier of the water rate.

Budget and Expended Amounts Versus Revenues (with rate increase)



Use of Retained Earnings for Budget



Current Water Rate Structure

Approved by the Board of Selectmen 11/5/2012

Meter Size	Quarterly Charge
5/8 in x 3/4 in	\$35.84
3/4 in	\$60.18
1 inch	\$95.55
1.5 inch	\$191.04
2 inch	\$287.64
>2 inch	\$597.06

Usage Tier	Rate per 100 cubic feet
0 – 500 cubic feet	\$2.64
501-3000 cubic feet	\$4.97
3001+ cubic feet	\$8.20

Proposed Water Rate Structure (FY 16 forward) (10/5/2015)

Meter Size	Quarterly Charge
5/8 in x 3/4 in	\$38.00
3/4 in	\$63.80
1 inch	\$101.28
1.5 inch	\$202.50
2 inch	\$304.90
>2 inch	\$632.88

Usage Tier	Rate per 100 cubic feet
0 – 500 cubic feet	\$2.80
501-3000 cubic feet	\$5.27
3001-4000 cubic feet	\$8.69
4001+ cubic feet	\$11.07

Proposed Water Rate Structure (FY 17) (10/5/15)

Meter Size	Quarterly Charge
5/8 in x 3/4 in	\$40.29
3/4 in	\$67.63
1 inch	\$107.36
1.5 inch	\$214.65
2 inch	\$323.19
>2 inch	\$670.86

Usage Tier	Rate per 100 cubic feet
0 – 500 cubic feet	\$2.97
501-3000 cubic feet	\$5.58
3001-4000 cubic feet	\$9.21
4001+ cubic feet	\$14.94

Impact of the Proposed Rate Increase – FY 16

	Current cost per year	New Cost per year	Increase per year	Increase per month
2 person household	\$394.96	\$418.71	\$23.75	\$1.98
4 person household	\$693.16	\$734.81	\$41.65	\$3.47

Impact of Proposed Rate Increase – FY 17

	Current Cost per year	New Cost per year	Increase per year	Increase per month
2 person household	\$394.96	\$443.84	\$48.88	\$4.07
4 person household	\$693.16	\$778.89	\$85.74	\$7.14

Proposed Motions for Consideration

Motion 1 (FY 16 update only):

“I move that the water rates be increased for FY 16 to reflect the new rates proposed by the Director of Public Works on the sheet entitled Proposed Water Rate Structure (FY 16 Forward) 10/5/2015, effective for all water commitments after October 19, 2015.”

Alternate Motion 2 (FY 16 and FY 17 update):

“I move that the water rates be increased for FY 16 to reflect the new rates proposed by the Director of Public Works on the sheet entitled Proposed Water Rate Structure (FY 16 Forward) 10/5/2015, effective for all water commitments after October 19, 2015, and for FY 17 to reflect the new rates proposed by the Director of Public Works on the sheet entitled Proposed Water Rate Structure (FY 17) 10/5/2015, effective for all water commitments after June 30, 2016”

Questions?

