



STAFF REPORT

AGENDA ITEM #: 16-16^b
COUNCIL MTG OF: 12/6/2016
FROM: David Caron, Town Administrator
OFFERED BY: Michael Fowler, Public Works Director
PREPARED BY: T. Carrier, Public Works Deputy Director
SUBJECT: Sewer User Rate Adjustment

PURPOSE

The purpose of this document is to provide information to the Town Council to support the increase of the sewer user rates to fund the extension of public sewer to Brady Ave.

TOWN ADMINISTRATOR COMMENTS

The Town Council will be presented with survey results from the residents indicating that the majority of respondents in favor of extending sewer to Brady Avenue. I would urge the Town Council to strongly consider proceeding with the rate increase to fund the project.

BACKGROUND

The DPW will be reconstructing Brady Ave. in 2017. Pennichuck Water Works will be replacing and upgrading their water mains prior to the roadwork. Properties on Brady Ave. are serviced by individual on-site septic systems, most of which are over 40 years old. Brady Ave. is an area identified in the Town's Sewer Master Plan as in need of public sewer. A survey of the residents indicated that over 50% of the abutters were in favor of having public sewer service.

DISCUSSION

The Brady Ave. project cost is estimated at \$562,000 of which \$487,000 is to be raised by a supplemental appropriation. (See 2016 Brady Ave. Supplemental Appropriation staff report.) In lieu of a bond or loan through the State, it is proposed that the project be funded through a loan to the sewer fund from the Town's undesignated general fund balance. Using an annual interest rate of 3% the yearly payment by the sewer fund would be approximately \$106,000. Subtracting revenues from new sewer connections (\$18,180/yr.), the additional revenue needed to be raised is \$87,820 per year. This equates to a \$0.25 per 100 cubic ft. sewer rate increase. The last sewer rate increase in Derry was in 2008.

FISCAL IMPACT

If approved, the proposed rate increase would result in a \$4.38 increase in the average residential quarterly bill. That's \$1.46 a month. This will generate \$87,500 in additional annual revenue which will be used to offset the cost to extend sewer to Brady Ave. With the approval of the sewer rate increase, the Town of Derry's water and sewer rates will remain far less than the average of its peer communities. With the increase, the average combined residential water and sewer bill in Derry would be \$711 as compared to the average if its peer NH communities of \$974.

RECOMMENDED ACTION BY COUNCIL

If it is the Council's intention to extend sewer along Brady Ave., it is recommended that the Council approve the proposed sewer user rate increase to fund this project.

RECOMMENDED MOTION

The Derry Town Council, acting as the Sewer Commissioners, moves to amend the Derry Sewer Use Ordinance rates by increasing the Municipal Retail Sewer Rates from \$2.98 to \$3.23 per 100 cubic feet effective on all sewer usage billed on or after March 1, 2017.