



STAFF REPORT

AGENDA ITEM #: 20-37
COUNCIL MTG OF: April 7, 2020
FROM: Department of Public Works
OFFERED BY: Michael Fowler, Director of Public Works
PREPARED BY: Thomas Carrier, Deputy Director of Public Works
SUBJECT: Municipal Sewer Rate and Fee Adjustment – FY2021

PURPOSE: Staff requests Council approval of an increase to the Municipal Sewer Rates and service fees.

TOWN ADMINISTRATOR COMMENTS: The Council is encouraged to review this information and receive public input on April 28. Staff will be presenting information on phased increases of the sewer usage rates at the April 21 Council meeting.

BACKGROUND:

I. Derry's municipal water and sewer service fees have not been increased in 10 years. Increases in labor and materials costs are exceeding what the Town, in some cases, now charge for its services.

II. Derry's sewer usage rates were last increased in 2017. The purpose of that \$0.25 per 100 cubic feet increase was to fund the public sewer extension to Brady Ave. (The last increase before that was in 2008.) The impact of that increase was \$4.38 on the average residential quarterly sewer bill or \$1.46/month.

DISCUSSION:

I. The existing fee schedule is revised to align with the proposed water fee increases for meters and meter-related services to account for the actual cost of materials and labor and apply to those customers with only public sewer (who are serviced by private water companies or individual wells). The service fees have been calculated based on the average wage rate of water and sewer system operators plus payroll taxes. Meters, meter horn and hydrant fees are calculated using the Town's vendor cost plus an administrative cost of 10%.

II. DPW is recommending increasing billed usage revenues by approximately 16% or \$343,000 to fund capital improvements to repair and replace sewer mains. These repairs are needed to prevent pipeline breaks and blockages and to reduce the amount of groundwater infiltration into Derry's wastewater treatment plant.

We propose to revise the rate structure (to align with the proposed water rate revisions) whereby the base minimum charges no longer include 500 cubic feet of usage. Each customer would be charged at the usage rate for all water consumed. To partially offset this increase in a customer's billable usage, the usage retail rate is proposed to be reduced.

Increasing usage rates is also necessary to implement the Wastewater Capital Improvement Plan. The Town has identified 3 areas of town in need to public sewers. They include Sunset Acres, Maple Hills and Barkland Acres. The WW CIP proposes to extend interceptors on Windham and Tsienneto Roads to coincide with planned highway projects in these area (the Exit 4A and the Bradford St. Bridget projects). Finally of note, we will be assessing the need to adjust rates again in the next budget to ensure available funding for our CIP.

FISCAL IMPACT:

I. The estimated impact of the fee increases to the FY2021 budget is less than \$2,000 (septage licensing and disposal fees).

II. The net impact of eliminating minimum usage and reducing the usage rate is estimated at \$11.82 on an average quarterly water bill (\$3.94/month). The new average bill would be \$436 a year. If approved, our new rates will remain below the average of our peer NH communities of \$520.

SEWER RATE IMPACTS:	ANNUAL COST		Quarterly Bill \$ Impact this Increase	Monthly Increase to Average Bills per unit	% Increase per unit
	FY20 Current \$35.66.qtr/unit 3.23/ccf	FY21 Proposed \$35.66.qtr/unit 3.05/ccf			
Single Family Residential Customer	\$ 388.90	\$ 436.17	\$ 11.82	\$ 3.94	12%
Duplex (1"meter)	\$ 557.01	\$ 663.87	\$ 26.71	\$ 4.45	19%
6 Unit Condo Building	\$ 1,263.43	\$ 1,606.72	\$ 85.82	\$ 4.77	27%
24 Unit Apartment Building	\$ 5,102.96	\$ 6,473.36	\$ 342.60	\$ 4.76	27%
Industrial Building - Large User (+/- 3689 gals per day)	\$ 5,892.04	\$ 5,632.64	\$ (64.85)	\$ (21.62)	-4%
Commercial Unit/Single Occupant Residential-min user	\$ 142.64	\$ 203.64	\$ 15.25	\$ 5.08	43%
Town of Londonderry	\$ 175,971.50	\$ 166,233.99	\$ (2,434.38)	\$ (811.46)	-6%

MUNICIPAL WATER & SEWER RATE COMPARISON : 1/22/2020	AVERAGE ANNUAL WATER COST*	AVERAGE ANNUAL SEWER COST*	AVERAGE ANNUAL WATER & SEWER COST
Aquarion (Hampton, North Hampton, Rye)	\$ 351.72	N/A	N/A
Bedford (Manchester Water Works/Manchester Sewer)	\$ 258.46	\$ 418.68	\$ 677.14
Bedford (Pennichuck Water Works)	\$ 561.72	\$ -	\$ 561.72
Claremont	\$ 463.44	\$ 763.92	\$ 1,227.36
Concord	\$ 243.48	\$ 433.08	\$ 676.56
Dover	\$ 479.28	\$ 820.08	\$ 1,299.36
Exeter	\$ 675.72	\$ 534.00	\$ 1,209.72
Hooksett (Hooksett Village District)	\$ 470.76	\$ 578.64	\$ 1,049.40
Hooksett (Manchester Water Works)	\$ 258.46	\$ 578.64	\$ 837.10
Hudson	\$ 445.92	\$ 206.52	\$ 652.44
Keene	\$ 462.36	\$ 708.00	\$ 1,170.36
Laconia	\$ 258.12	\$ 593.16	\$ 851.28
Londonderry , North (Manchester Water Works)	\$ 258.46	\$ 384.00	\$ 642.46
Londonderry, South (Pennichuck East Utility)	\$ 806.88	\$ 384.00	\$ 1,190.88
Manchester (Manchester Water Works/Manchester Sewer)	\$ 234.96	\$ 418.68	\$ 653.64
Merrimack (Merrimack Village District)	\$ 241.68	\$ 242.04	\$ 483.72
Merrimack (Pennichuck Water Works)	\$ 561.72	\$ 242.04	\$ 803.76
Nashua (Pennichuck Water Works)	\$ 561.72	\$ 354.96	\$ 916.68
Portsmouth	\$ 458.88	\$ 1,225.32	\$ 1,684.20
Rochester	\$ 509.16	\$ 627.60	\$ 1,136.76
Salem	\$ 355.32	\$ 451.56	\$ 806.88
Somersworth	\$ 493.20	\$ 495.55	\$ 988.75
AVERAGE ALL COMMUNITIES ABOVE	\$ 427.79	\$ 498.12	\$ 929.53
AVERAGE "PEER" COMMUNITIES	\$ 438.47	\$ 520.39	\$ 958.85
DERRY - USING PROPOSED NEW WATER & SEWER RATES	\$ 319.32	\$ 436.20	\$ 755.52

* Water usage based on 9624 cft per year. Sewer usage based on 9624 cft per year (NHDES survey assumption).
200 GPD

RECOMMENDATION: It is recommended that the Council, acting as the Water Commissioners, approve the proposed FY2021 water rates and fess schedule as presented under Resolution #2020-019.

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RESOLUTION

Number 2020-019

To Approve Revised User Rate Schedules for Derry Wastewater Customers

WHEREAS, RSA 149-I:1 authorizes the Town Council to construct and maintain public sewer facilities for the public convenience, health or welfare; and

WHEREAS, the Town has enacted a structure of sewer fees to ensure that the system is properly funded; and

WHEREAS, the Town Council, on occasion and in accordance with RSA 149-I:8 shall review wastewater sewer rents to ensure that adequate revenues are received to fund all operating expenses and necessary capital improvements and to ensure the equitable distribution of expenses across all wastewater user classifications;

NOW, THEREFORE, BE IT RESOLVED IN COUNCIL that it is necessary to adjust wastewater user rates as set forth on the attached schedule over a three-year period beginning in FY 21.

This Resolution shall take effect on all water usage billed on or after July 1, 2020.

Adopted: May 5, 2020

Attest:

X _____

Charles Foote, Council Chair

Date: _____

X _____

Daniel Healey, Town Clerk

Date: _____