



STAFF REPORT

Public Hearing 5-16-23

AGENDA ITEM #: 23-46
COUNCIL MTG OF: May 2, 2023
FROM: Department of Public Works
OFFERED BY: Michael Fowler, Director of Public Works
PREPARED BY: Thomas Carrier, Deputy Director of Public Works
SUBJECT: Municipal Water Rate Adjustment – FY2024

PURPOSE: Staff requests Council approval of an increase to the FY2024 Municipal Water Rates.

TOWN ADMINISTRATOR COMMENTS:

The Council is encouraged to adopt staff recommendations on this item after the May 16, 2023, public hearing. Also, please see the related staff report on water fee adjustments, which are included in the same Resolution #2023-029.

BACKGROUND:

Derry’s municipal water rates and service fees are reviewed annually during the budget process to ensure they are aligned with the expenses, including labor and materials, deemed necessary to operate and maintain the Derry public water system to the standards established by the US EPA, NH DES and Derry Town Council.

DISCUSSION:

The FY2024 Water Fund Budget proposes increasing billed usage revenues by approximately 10% to offset a \$300,000 revenue budget shortfall due to increases in operational costs, such as purchased water from Manchester Water Works (+\$118,000), electricity (+\$23,000), and gasoline/diesel fuel (+\$17,000), as well as to fund capital improvements identified in the Water FY24 Capital Improvement Plan. Such improvements include a new well at our Willow Bend CWS (\$100,000) and expanding our water main replacement program from \$350,000/yr. to \$600,000/yr.

The proposal revises water rates as follows:

- Usage Rate: Increase of \$0.29/100 cubic feet (ccft) from 2.89 to **\$3.18/ccft for in-Town customers** and increase of \$0.49/ccft from 3.17/ccft to **\$3.66/ccft for out-of-Town customers** (15% above in-Town rates)
- Base Charge (3/4 meter): Increase of \$3.00/quarter/unit from \$27.00 to **\$30.00/quarter per unit for an in-Town service** and increase of \$5.00/quarter per unit from \$29.00 to **\$34.00/quarter per unit for a ¾ inch out-of-Town service** (15% above in-Town rates).

(refer to the complete water rate schedule for base charges for meter services greater than ¾ inch)

FISCAL IMPACT:

The proposed rate increase would result in a **10% (\$2.84/month) increase** on the average single-family quarterly water bill. The new average water bill would be **\$362 a year**. If approved, our new rates would be 27% less than the average of our peer NH communities of \$498.

Water Usage						
FY2024 Budget Proposal						
	FY2024	FY23 Rate	FY24 Rate	FY2024 Budget	FY2023 Budget	
Base Charges (No. Billed Units) 3/4" In-Town	33,812	\$ 27.00	\$ 30.00	\$ 1,014,360.00	\$ 987,471.00	
Base Charges (No. Billed Units) 3/4" Out-of-Town	648	\$ 29.00	\$ 34.00	\$ 22,032.00	\$ 22,552.00	
1" In-Town	268	\$ 40.00	\$ 45.00	\$ 12,060.00		
1" Out-of-Town	20	\$ 44.00	\$ 51.00	\$ 1,020.00		
1 1/2" In-Town	224	\$ 67.00	\$ 76.00	\$ 17,024.00		
1 1/2" Out-of-Town	4	\$ 73.00	\$ 87.00	\$ 348.00		
2" In-Town	204	\$ 133.00	\$ 151.00	\$ 30,804.00		
2" Out-of-Town	24	\$ 146.00	\$ 173.00	\$ 4,152.00		
3" In-Town	32	\$ 267.00	\$ 304.00	\$ 9,728.00		
3" Out-of-Town	4	\$ 293.00	\$ 349.00	\$ 1,396.00		
Usage Charges (100's cubic feet) In-Town	66,769,475	\$ 2.89	\$ 3.18	\$ 1,573,588.32	\$ 1,405,777.20	
Usage Charges (100's cubic feet) Out-of-Town	2,317,876	\$ 3.17	\$ 3.66	\$ 71,942.59	\$ 39,559.84	
	TOTALS	TOTALS	TOTALS	\$ 2,758,454.92	\$ 2,455,360.04	\$ 303,094.88
		10.0%	ANNUAL USAGERATE INCREASE			
		10.0%	ANNUAL BASE CHARGE INCREASE			

FY24 WATER RATE IMPACTS:	ANNUAL COST		Quarterly Bill \$ Impact this Increase	Monthly Increase to Average Bills per unit	% Increase per unit
	FY23 RATES	FY24 PROPOSED			
Single Family Residential Customer	\$ 328.33	\$ 362.37	\$ 8.51	\$ 2.84	10%
Duplex (1"meter)	\$ 459.13	\$ 507.44	\$ 12.08	\$ 2.01	11%
6 Unit Condo Building (1 inch)	\$ 1,012.69	\$ 1,121.16	\$ 27.12	\$ 1.51	11%
24 Unit Apartment Building	\$ 4,094.80	\$ 4,533.08	\$ 109.57	\$ 1.52	11%
Industrial Building - Large User (+/-3689 gals per day) 2 inch meter	\$ 5,676.20	\$ 6,262.62	\$ 146.61	\$ 48.87	10%
Commercial Unit/Single Occupant Residential-min user 3/4 inch meter	\$ 108.00	\$ 120.00	\$ 3.00	\$ 1.00	11%
Commercial Unit 1 inch meter (1500 gpd)	\$ 2,217.54	\$ 2,443.29	\$ 56.44	\$ 18.81	10%
Commercial Unit 1 1/2 inch meter (1000 gpd)	\$ 1,620.40	\$ 1,791.64	\$ 42.81	\$ 14.27	11%
Commercial Unit 1 1/2 inch meter (41 GPD/2000ct/year min Usage)	\$ 268.00	\$ 304.00	\$ 9.00	\$ 3.00	13%
			AVERAGE DERRY CUSTOMER INCREASE	\$ 10.43	11%
Londonderry	FY23	FY24 PROPOSED	Quarterly Bill \$ Impact this Increase	Monthly Increase to Average Bills per unit	% Increase per unit
	\$ 44,540.98	\$ 51,590.38	\$ 18.55	\$ 6.18	16%

The following represents a comparison of Derry's proposed rates (original budget submission) with those of comparable communities.

RATE COMPARISONS							3/1/2023
Based on NH DES Average Consumption of 71,996 gallons per year (6,000 gals per month)							
UTILITY	TOWN/SYSTEM	RATE	per 100 cubic feet	plus	BASE	charge per billing period	ANNUAL BILL
SEWER	MERRIMACK	\$ -			\$ 25.33		\$ 303.96
SEWER	LONDONDERRY	\$ -			\$ 96.00		\$ 384.00
SEWER	MANCHESTER	\$ 3.90			\$ 23.82		\$ 470.66
SEWER	DERRY	\$ 3.89			\$ 44.00		\$ 472.62
SEWER	NASHUA	\$ 3.26			\$ 44.08		\$ 490.10
SEWER	SALEM	\$ 5.10			\$ 5.80		\$ 514.08
SEWER	CONCORD	\$ 4.97			\$ 8.65		\$ 582.17
SEWER	DOVER	\$ 9.81			\$ -		\$ 944.23
SEWER	PORTSMOUTH	\$ 15.78			\$ -		\$ 1,518.85
UTILITY	TOWN/SYSTEM	RATE	per 100 cubic feet	plus	BASE	charge per billing period	ANNUAL BILL
WATER	MANCHESTER	\$ 1.81			\$ 30.30		\$ 295.03
WATER	BEDFORD/MWW	\$ 2.07			\$ 34.84		\$ 338.41
WATER	CONCORD	\$ 3.04			\$ 5.57		\$ 359.44
WATER	DERRY	\$ 3.18			\$ 30.00		\$ 362.48
WATER	MERRIMACK	\$ 3.14			\$ 21.65		\$ 388.83
WATER	SALEM	\$ 3.80			\$ 5.80		\$ 388.96
WATER	WINDHAM	\$ 4.37			\$ 6.67		\$ 427.29
WATER	HUDSON	\$ 3.30			\$ 10.69		\$ 445.91
WATER	PORTSMOUTH	\$ 4.54			\$ 4.95		\$ 496.38
WATER	DOVER	\$ 6.41			\$ -		\$ 616.97
WATER	NASHUA/PWW	\$ 3.99			\$ 24.34		\$ 676.12
WATER	LONDONDERRY/PEU	\$ 9.50			\$ 22.56		\$ 1,185.11
	AVERAGE						
		DERRY					
WATER	\$ 498.41	\$ 362.48		27%	less than the average		
SEWER	\$ 631.18	\$ 472.62		25%	less than the average		

Water Rate History:

	FY24 PROPOSED	FY23	FY22	FY21	FY18	FY14
WATER RATE HISTORY	\$ 3.18	\$ 2.89	\$ 2.75	\$ 2.69	\$ 2.55	\$ 2.50
	\$ 30.00	\$ 27.00	\$ 26.00	\$ 24.00	\$ 23.28	\$ 23.03
AVERAGE BILL	\$ 362.37	\$ 328.33	\$ 313.66	\$ 301.09	\$ 287.53	\$ 282.72
		28% increase over 10 years				
		2.8% increase per year				

RECOMMENDATION: It is recommended that the Council approve the proposed FY2024 water rate schedule as presented.

MOTION: Please see Resolution #2023-029 (action after the May 16, 2023 public hearing).

* * * * *



STAFF REPORT

AGENDA ITEM #: 23-46
COUNCIL MTG OF: May 2, 2023
FROM: Dave Caron, Town Administrator
OFFERED BY: Michael Fowler, Director of Public Works
PREPARED BY: Thomas Carrier, Deputy Director of Public Works
SUBJECT: Municipal Water Fee Adjustment – FY2024

PURPOSE: Staff requests Council approval of an increase to certain Municipal Water service fees as part of the FY24 Budget.

TOWN ADMINISTRATOR COMMENTS:

The Council is encouraged to adopt staff recommendations on this item after the May 16, 2023, public hearing. Also, please see the related staff report on water rate adjustments, which are included in the same Resolution #2023-029.

BACKGROUND:

Derry's municipal sewer rates and service fees are reviewed annually during the budget process to ensure they are aligned with the expenses, including labor and materials, deemed necessary to operate and maintain the Derry public water system to the standards established by the US EPA, NH DES and Derry Town Council. These fees include water meters, meter horn assemblies, and the Merrimack River Source Development (MSD) charge.

Derry requires that meters and meter horn assemblies be purchased from the Town for quality control purposes and to ensure they meet our specifications. Derry specifies Badger meters and their compatible Orion radio transponders. Our vendor pricing increased (18%) between 2020 and 2022, however no increase for meters is proposed for FY24.

Meter horn assemblies facilitate the installation of meters by Department employees and provide backflow protection between private house services and the Town's water system. Derry purchases the individual components which make up the assembly and assembles them. The unit costs for these components increased from \$328.62 to \$334.35 for ¾-inch units and \$621.53 to \$676.22 for 1-inch units between 2022 and 2023. The fee back-charged by the Town for these devices includes a 10% administrative mark-up on our vendor pricing plus 0.5 hours of labor for assembly.

Derry's Merrimack River Source Development Charge (MSDC) is a fee charge by Manchester Water Works (MWW) to new and expanding water users, including their wholesale customers, to offset costs associated with the development of the Merrimack River as a supplemental water supply to Lake Massabesic. MWW began charging Derry this fee in 1998 at a fixed rate of \$1.14 per gallon per day. In 2005 MWW began escalating the rate 3% annually. Derry has pre-purchased 2.9 million gallons of capacity and resells excess capacity to new customers to reimburse the ratepayers. In FY21 Derry began charging its customers the same fee as MWW. As of January 1, 2023, that fee increased from \$4.02 per gallon per day to \$4.14. (\$1,227, \$3,523, \$9,243 and \$16,325 for a 5/8-inch, 1-inch, 1 ½ - inch and 2-inch meter connection respectively.)

DISCUSSION:

Meters, meter horn assemblies and the MSD charge are most particularly applied to new development. Maintaining our fee structure for new developers is necessary to offset these expenses to the ratepayers who upfront these costs. Our FY24 budget proposes to increase these fees accordingly as follows:

<u>Fee</u>	<u>Current Charge</u>	<u>Proposed FY24 Charge</u>
Meter Horn Assembly ¾ inch	\$382.00	\$416.00
Meter Horn Assembly 1 inch	\$729.00	\$788.00
MSD Charge 5/8 x ¾ inch	\$1,191.00	\$1,227.00
MSD Charge 1 inch	\$3,420.00	\$3,523.00
MSD Charge 1 ½ inch	\$8,973.00	\$9,243.00
MSD Charge 2-inch	\$15,849.00	\$16,325.00
MSD Charge >2-inch	\$4.02/GPD	\$4.14/GPD

FISCAL IMPACT:

The estimated net impact of the fee increases to the FY2024 revenues budget is +\$3,500.

RECOMMENDATION: It is recommended that the Council approve the proposed FY2024 fee increases as presented .

MOTION: Please see Resolution #2023-029 (action after the May 16, 2023 public hearing).



RESOLUTION

Number 2023-029

To Adopt a Revised User Rate and Fee Schedule for Derry Water Customers

WHEREAS, RSA 38:17 authorizes the Town Council to enter into a supply contract with another municipality for the purposes of purchasing water for customers of the Derry Water Department; and

WHEREAS, the Town has entered into a wholesale water supply contract with Manchester Water Works to provide water for its customers; and

WHEREAS, the Town Council, on occasion and in accordance with RSA 38:28 shall review water user rates to remain in compliance with the Town's contract with Manchester Water Works, to fund necessary capital improvements and to ensure the equitable distribution of expenses across all water user classifications; and

WHEREAS, vendor price increases for meters and other equipment have resulted in increased cost to the water utility, which charges should be borne by the customers requiring said services; and

WHEREAS, the Manchester Water Works' Merrimack River Source Development Charge is levied upon new or expanding water users, and these increased costs should likewise be borne by the customers requiring said service.

NOW, THEREFORE, BE IT RESOLVED IN COUNCIL that the Town Council hereby adopts the attached revised User Rate and Fee Schedules for Derry Water Customers.

This Resolution shall take effect on all water usage billed on or after July 1, 2023.

Adopted: May 16, 2023

Attest:

X _____
Charles Foote, Council Chair
Date: _____

X _____
Cristina Guilford, Town Clerk
Date: _____

Water User Rate Adjustments

Water Usage FY2024 Budget Proposal	FY2024	FY23 Rate	FY24 Rate	FY2024 Budget	FY2023 Budget	
Base Charges (No. Billed Units) 3/4" In-Town	33,812	\$ 27.00	\$ 30.00	\$ 1,014,360.00	\$ 987,471.00	
Base Charges (No. Billed Units) 3/4" Out-of-Town	648	\$ 29.00	\$ 34.00	\$ 22,032.00	\$ 22,552.00	
1" In-Town	268	\$ 40.00	\$ 45.00	\$ 12,060.00		
1" Out-of-Town	20	\$ 44.00	\$ 51.00	\$ 1,020.00		
1 1/2" In-Town	224	\$ 67.00	\$ 76.00	\$ 17,024.00		
1 1/2" Out-of-Town	4	\$ 73.00	\$ 87.00	\$ 348.00		
2" In-Town	204	\$ 133.00	\$ 151.00	\$ 30,804.00		
2" Out-of-Town	24	\$ 146.00	\$ 173.00	\$ 4,152.00		
3" In-Town	32	\$ 267.00	\$ 304.00	\$ 9,728.00		
3" Out-of-Town	4	\$ 293.00	\$ 349.00	\$ 1,396.00		
Usage Charges (100's cubic feet) In-Town	66,769,475	\$ 2.89	\$ 3.18	\$ 1,573,588.32	\$ 1,405,777.20	
Usage Charges (100's cubic feet) Out-of-Town	2,317,876	\$ 3.17	\$ 3.66	\$ 71,942.59	\$ 39,559.84	
TOTALS			TOTALS	\$ 2,758,454.92	\$ 2,455,360.04	\$ 303,094.88
		10.0%	ANNUAL USAGE RATE INCREASE			
		10.0%	ANNUAL BASE CHARGE INCREASE			

Water User Fee Adjustments

<u>Fee</u>	<u>Current Charge</u>	<u>Proposed FY24 Charge</u>
Meter Horn Assembly 3/4 inch	\$382.00	\$416.00
Meter Horn Assembly 1 inch	\$729.00	\$788.00
MSD Charge 5/8 x 3/4 inch	\$1,191.00	\$1,227.00
MSD Charge 1 inch	\$3,420.00	\$3,523.00
MSD Charge 1 1/2 inch	\$8,973.00	\$9,243.00
MSD Charge 2-inch	\$15,849.00	\$16,325.00
MSD Charge >2-inch	\$4.02/GPD	\$4.14/GPD