

North Conway Water Precinct

FY 2024 Water and Sewer Rate Study
Water & Sewer Commission Meeting



NORTH CONWAY
WATER PRECINCT

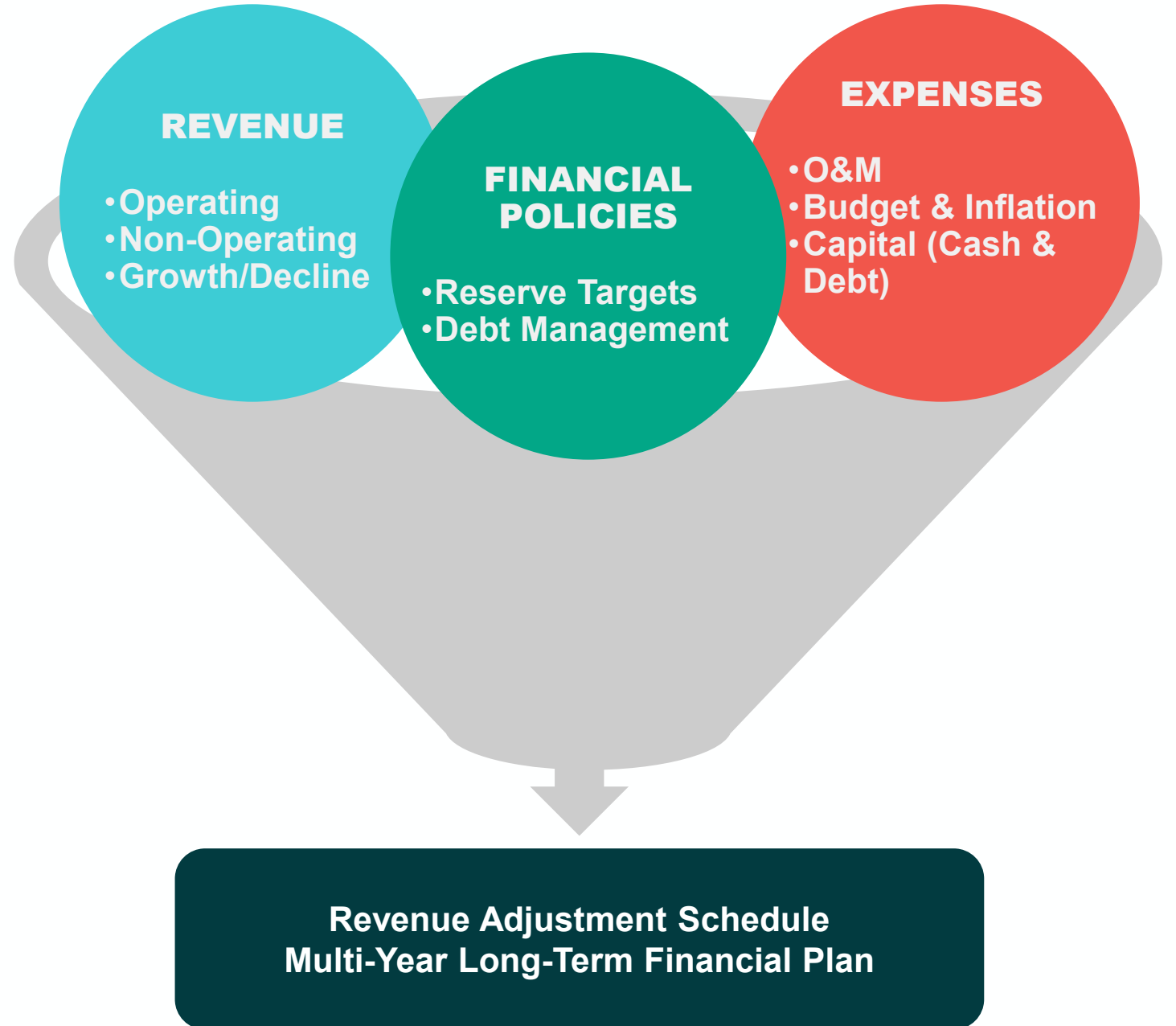


Overview of the Rate Study

- Purpose of the Rate Study
 - › Ensure long term financial sustainability and viability for the Precinct's Water and Sewer Funds
 - › Analyze impacts to revenue and customers due to the need for rate increases
- Current Industry Trends and Challenges
 - › Water rates across the country have increased by 5% per year, on average over the last 20 years
 - › Sewer rates across the country have increased by 6% per year, on average over the last 20 years
 - › Inflationary impacts, aging infrastructure, and declining consumption are the biggest challenges impacting utilities throughout the country
- Precinct Specific Trends and Challenges
 - › Rates have not increased since 2016, but costs continue to rise
 - › Increased staffing levels are required to appropriately manage increase in regulations and reporting requirements
 - › Prudent investment in asset management for more proactive capital planning

Financial Plan

Financial Plan models yearly cash flow and reserve balances



Water & Sewer Financial Plans



Water Fund Overview

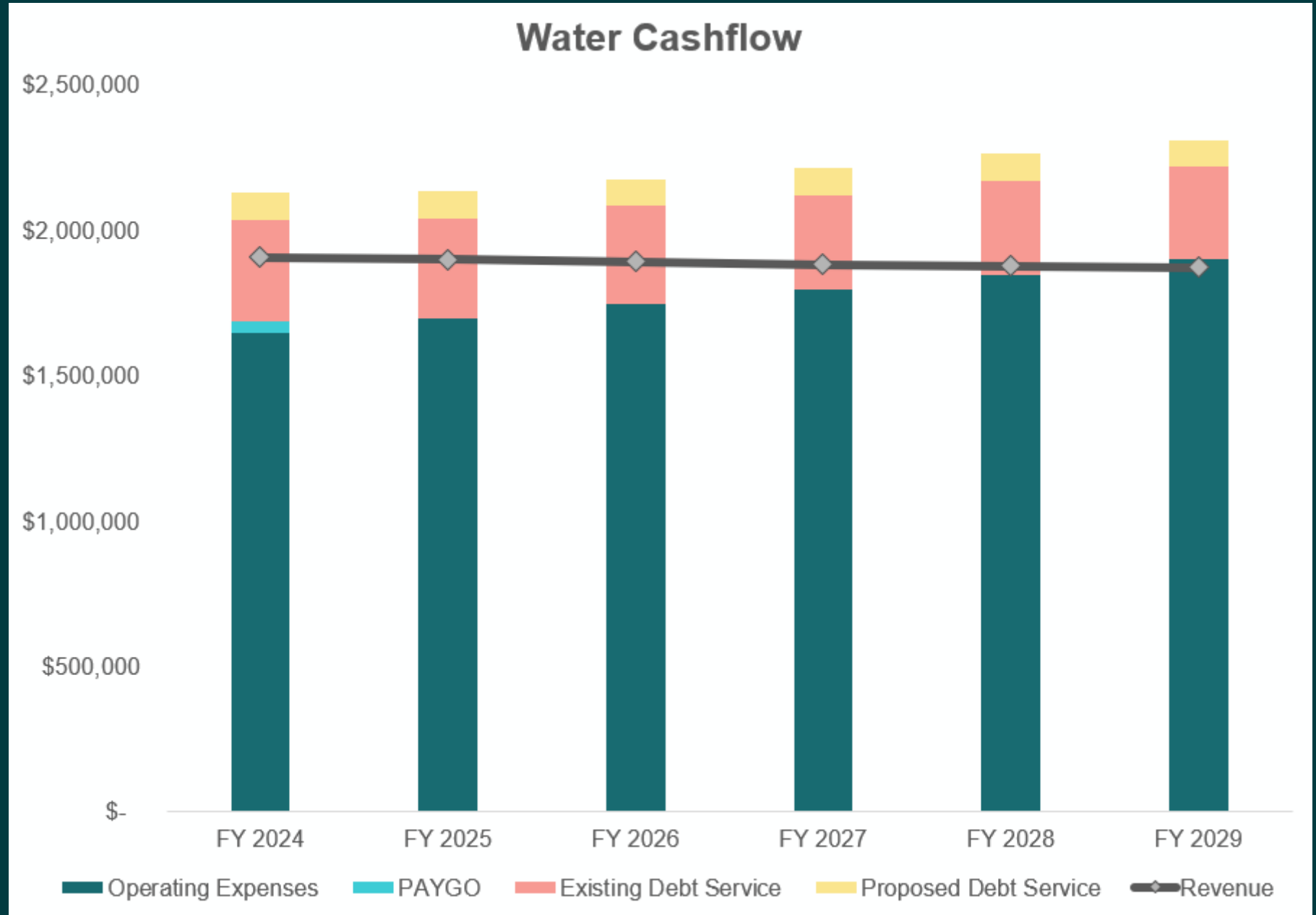
Water Revenue Requirements	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Administration	\$ 54,292	\$ 51,748	\$ 53,300	\$ 54,899	\$ 56,546	\$ 58,243	\$ 59,990
Insurance	241,664	300,847	309,872	319,169	328,744	338,606	348,764
Personnel	597,147	658,227	676,016	694,339	713,212	732,651	752,673
Buildings	38,789	36,009	37,089	38,202	39,348	40,528	41,744
Equipment	63,500	51,500	53,045	54,636	56,275	57,964	59,703
Water Treatment	361,000	288,640	297,299	306,218	315,405	324,867	334,613
Water Distribution	150,675	112,575	115,952	119,431	123,014	126,704	130,505
Meters	6,354	6,354	6,545	6,741	6,943	7,151	7,366
Capital Reserve Contributions	187,595	142,914	147,201	151,617	156,166	160,851	165,676
Cash Funded Capital	449,000	37,500	-	-	-	-	-
Debt Service*	359,088	444,425	438,184	430,691	419,412	415,969	409,330
Total: Water Revenue Requirements	\$ 2,509,104	\$ 2,130,739	\$ 2,134,505	\$ 2,175,944	\$ 2,215,065	\$ 2,263,534	\$ 2,310,365

*Debt Service is paid by the General Fund

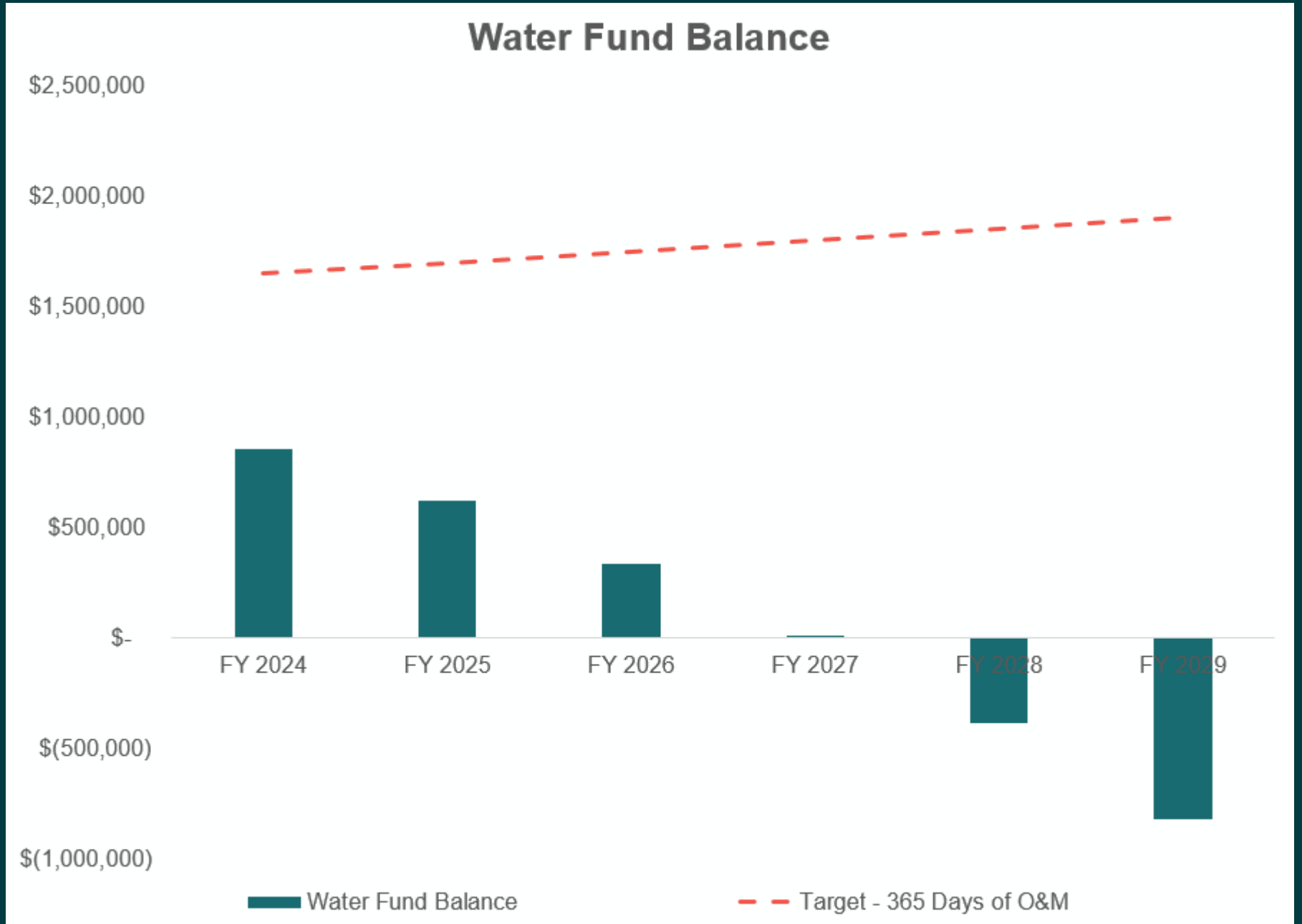
- The Precinct is expected to spend approximately \$1.545 million on capital improvements in FY 2024. No capital improvements are planned for the follow years.
- Most recent rate increase was in FY 2016
- Retained earnings are expected to approach \$0 by the end of FY 2027 without rate increases
 - › Additional revenue is needed immediately in FY 2024 to ensure financial sufficiency and viability

Projected Water Cash Flow with No Rate Increases

*PAYGO = cash funded capital



Projected Water Reserve Fund Balance with No Rate Increases



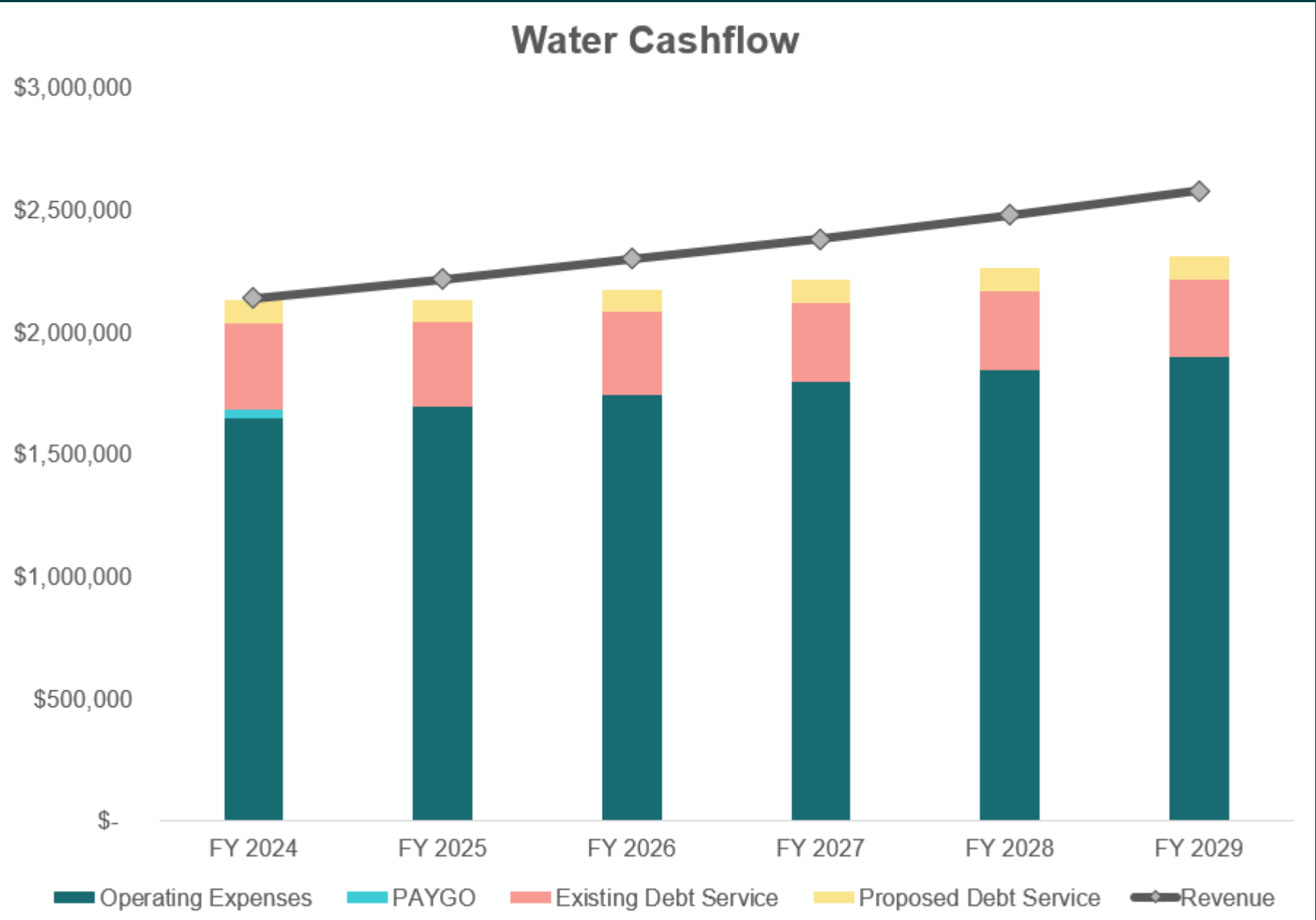
Recommended Water Rate Increases

- In order to ensure financial sufficiency, the water fund requires the following rate increases:

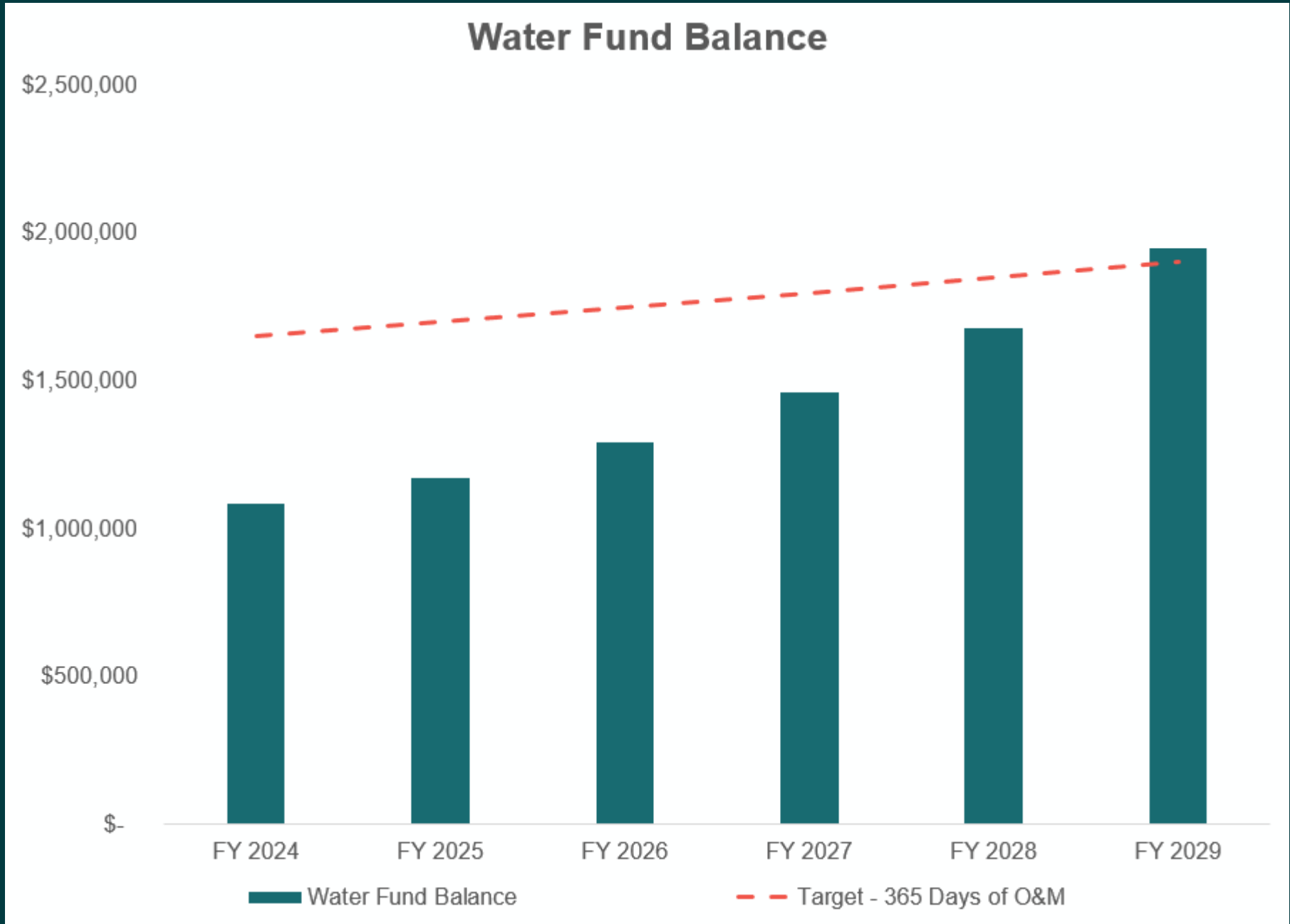
	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Volumetric	20.0%	6.0%	6.0%	6.0%	6.0%
Minimum	20.0%	6.0%	6.0%	6.0%	6.0%

- Although the volumetric and minimum charges could be increased by different amounts, we recommend maintaining the water fund's existing proportion of revenue collected from fixed charges to ensure revenue stability.
- Non-rate related revenue is projected to decrease by approximately \$600,000 in FY 2024 compared to FY 2023 due to grant funding

Projected Water Cash Flow with Recommended Rate Increases



Projected Water Reserve Fund Balance with Recommended Rate Increases



Sewer Fund Overview

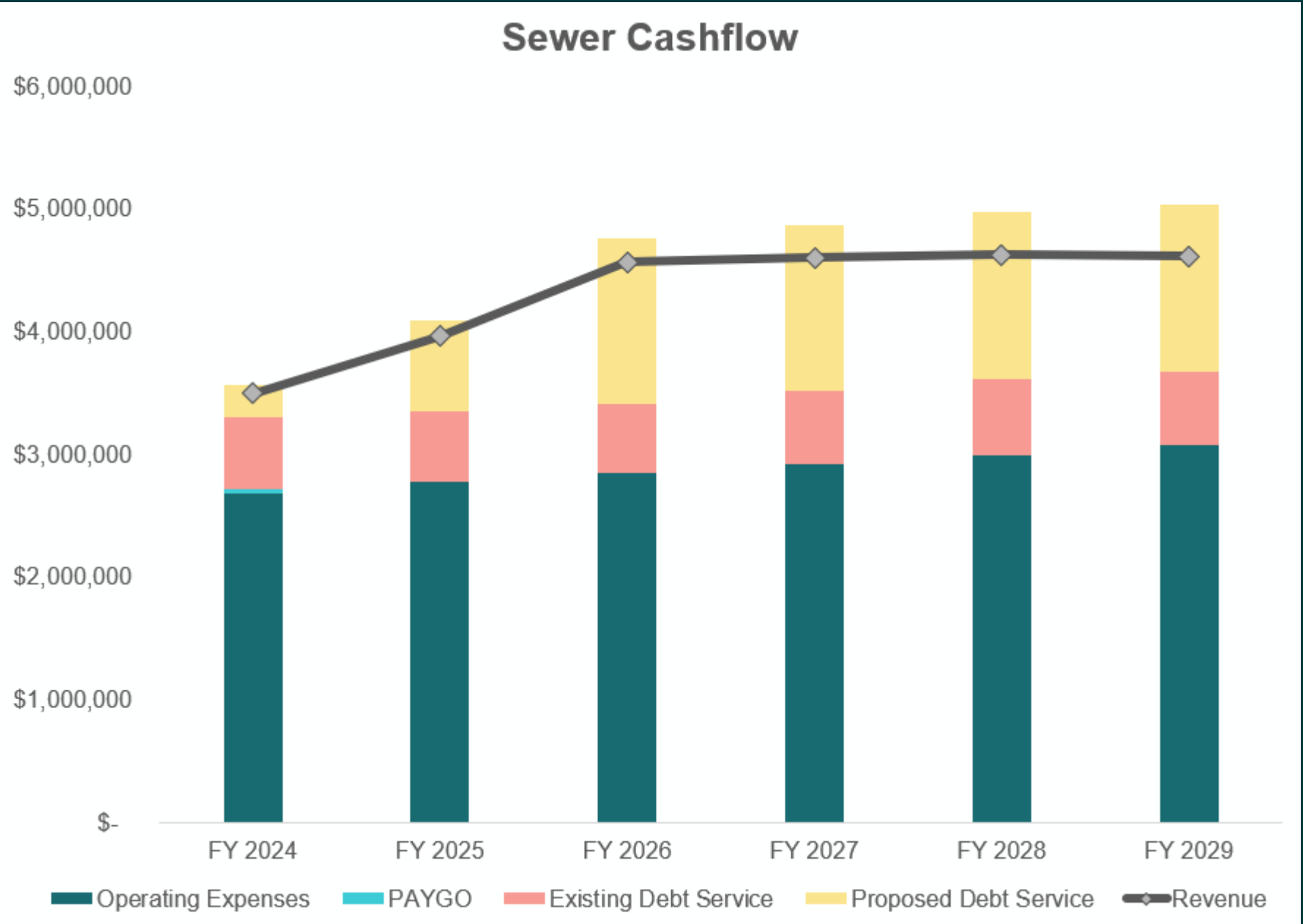
Sewer Revenue Requirements	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Administration	\$ 56,407	\$ 62,211	\$ 64,077	\$ 66,000	\$ 67,980	\$ 70,019	\$ 72,120
Insurance	237,122	300,839	309,864	319,160	328,735	338,597	348,755
Personnel	665,246	695,349	714,162	733,539	753,498	774,055	795,230
Buildings	110,355	132,355	136,326	140,415	144,628	148,967	153,436
Equipment	28,500	19,000	19,570	20,157	20,762	21,385	22,026
Wastewater Treatment	526,721	448,932	462,400	476,272	490,560	505,277	520,435
Wastewater Collections	82,820	110,285	138,594	142,751	147,034	151,445	155,988
Meters	3,150	3,150	3,245	3,342	3,442	3,545	3,652
Sewer Debt Capital Contribution	353,399	381,034	392,465	404,239	416,366	428,857	441,723
CFVD Septage Revenue Share	195,000	217,500	224,025	230,746	237,668	244,798	252,142
Capital Reserve Contributions	370,247	305,380	305,380	305,380	305,380	305,380	305,380
Cash Funded Capital	75,000	37,500	-	-	-	-	-
Debt Service*	573,876	851,366	1,321,899	1,917,698	1,955,010	1,976,191	1,961,239
Total: Sewer Revenue Requirements	\$3,277,843	\$ 3,564,900	\$ 4,092,005	\$ 4,759,699	\$ 4,871,062	\$ 4,968,516	\$5,032,125

*Debt Service is paid by the General Fund except for Dewatering & Septage Receiving Note

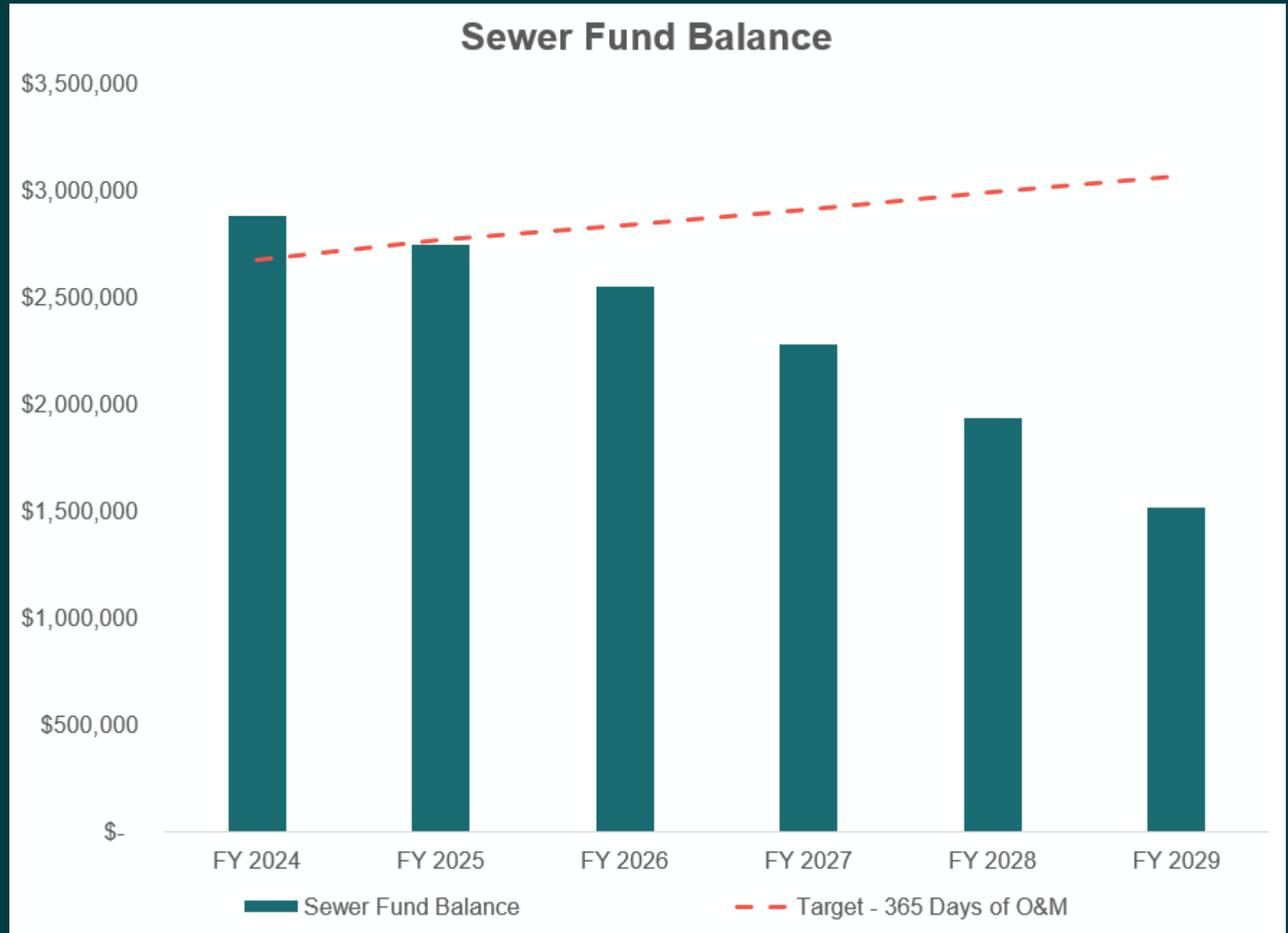
- From FY 2024 to FY 2026, the Precinct is expected to spend approximately \$4.444 million annually on capital improvements
- The most recent rate increase was in FY 2016
- Retained earnings are strong, allowing for financial flexibility and rate stabilization
 - › Additional revenue is needed to maintain a strong financial position in the long-term

Projected Sewer Cash Flow with No Rate Increases

*Revenue in cash flow is still increasing without rate increases due to debt service offset from the General Fund built into the model as both a revenue and expense



Projected Sewer Reserve Fund Balance with No Rate Increases



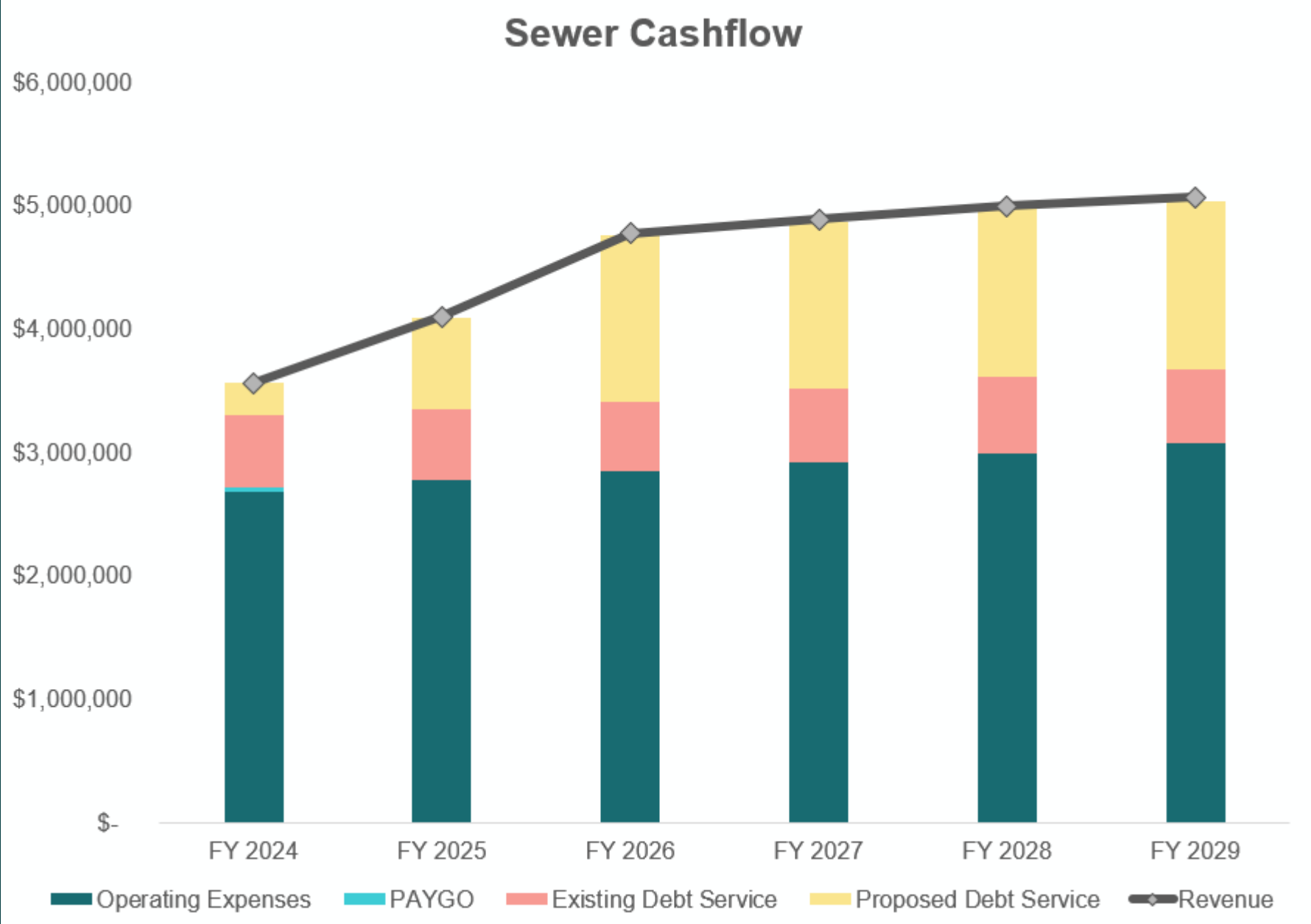
Recommended Sewer Rate Increases

- In order to ensure financial sufficiency, the sewer fund requires the following rate increases:

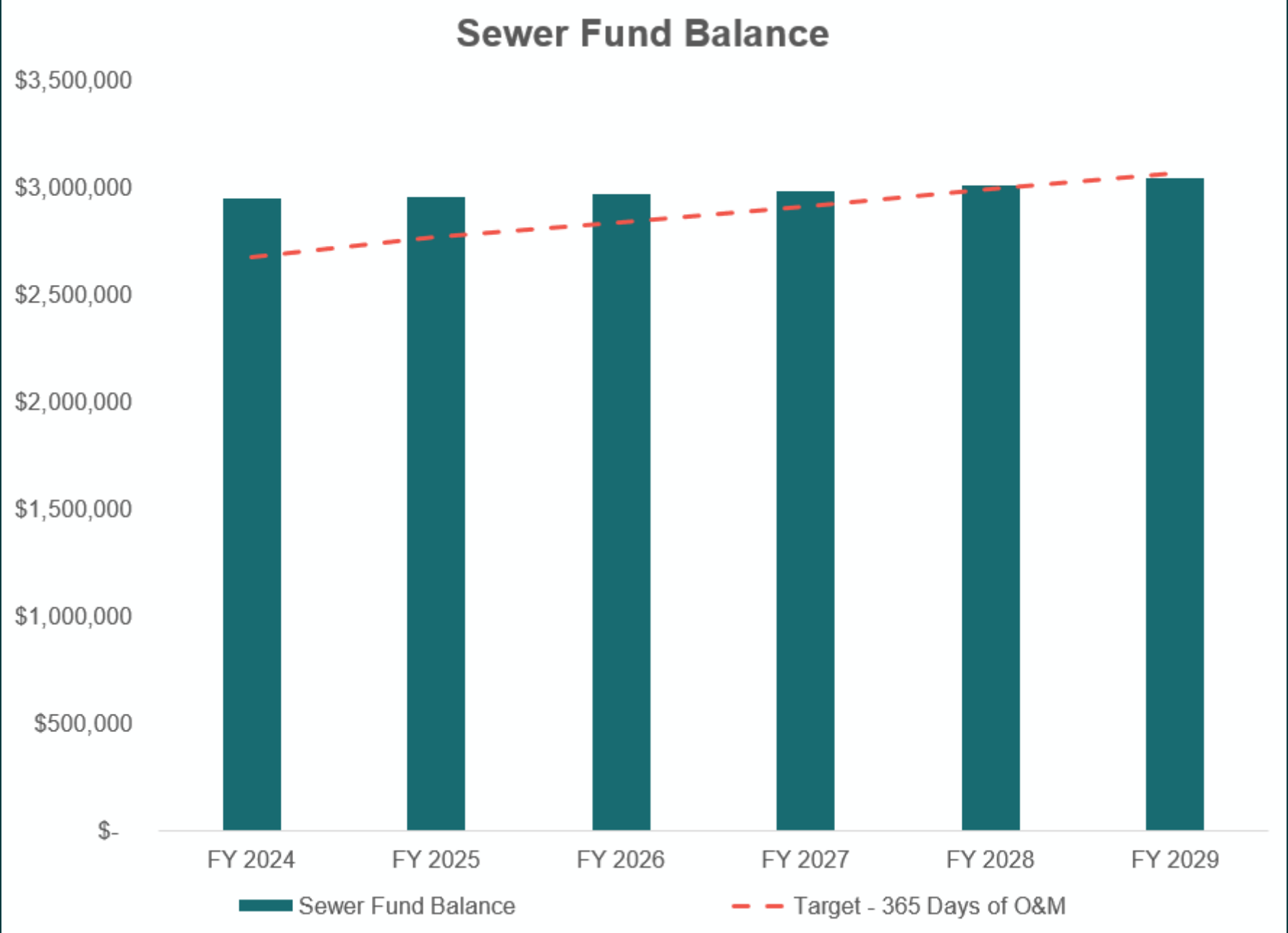
	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Volumetric Rate	5.0%	5.0%	5.0%	5.0%	5.0%

- There is currently no minimum charge for sewer customers

Projected Sewer Cash Flow with Recommended Rate Increases



Projected Sewer Cash Flow with Recommended Rate Increases



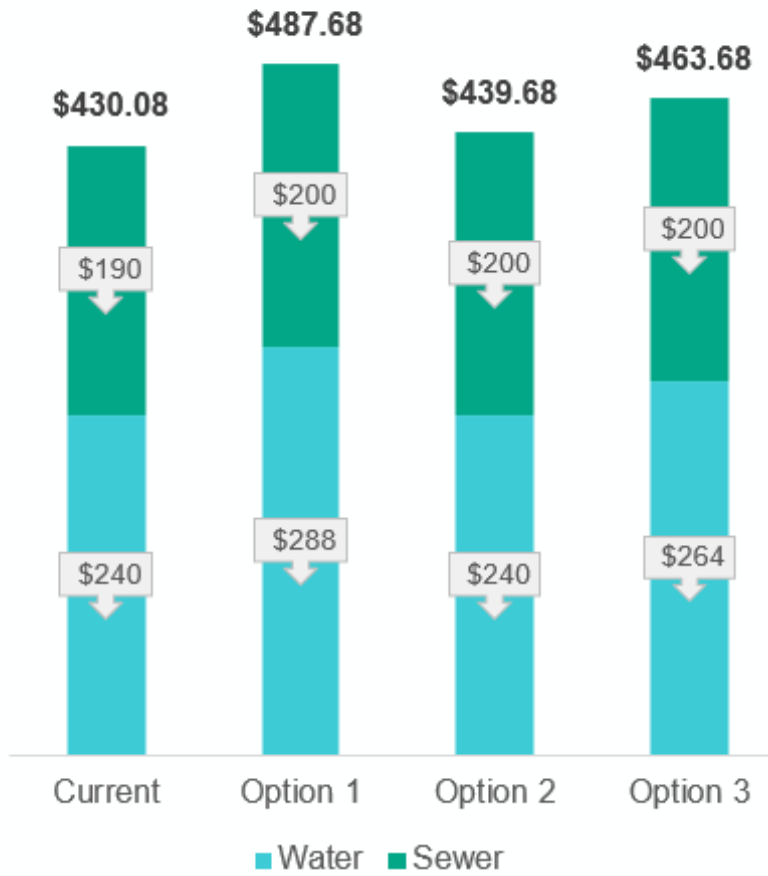
Rates & Customer Impacts



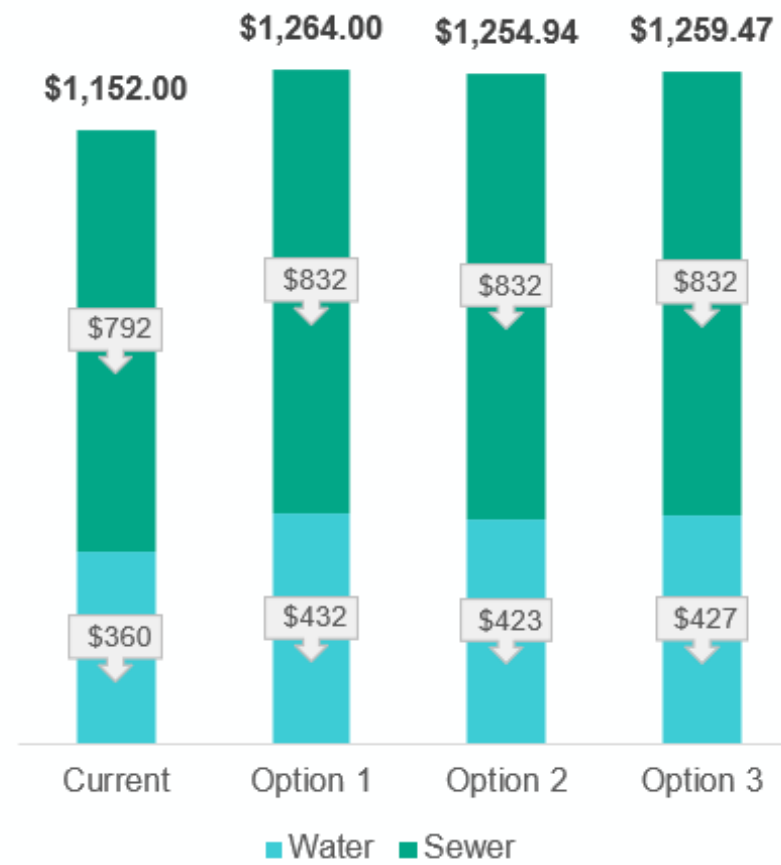
Alternative Rate Design Scenarios

- We examined 3 alternative rate design options and the impacts that they would have on different customer profiles
- All Rate Options are revenue neutral
- Rate Options only impact Water Rates
 - › Rate Option 1: Across-the-Board (ATB) Rate increase; Water Base Rate and Water Volumetric Rate increase 20%
 - › Rate Option 2: Water Base Rate does not increase; Water Volumetric Rate increases 52% to maintain revenue neutrality
 - › Rate Option 3: Water Base Rate increases 10% (Half of ATB Increase); Water Volumetric Rate increases 36% to maintain revenue neutrality

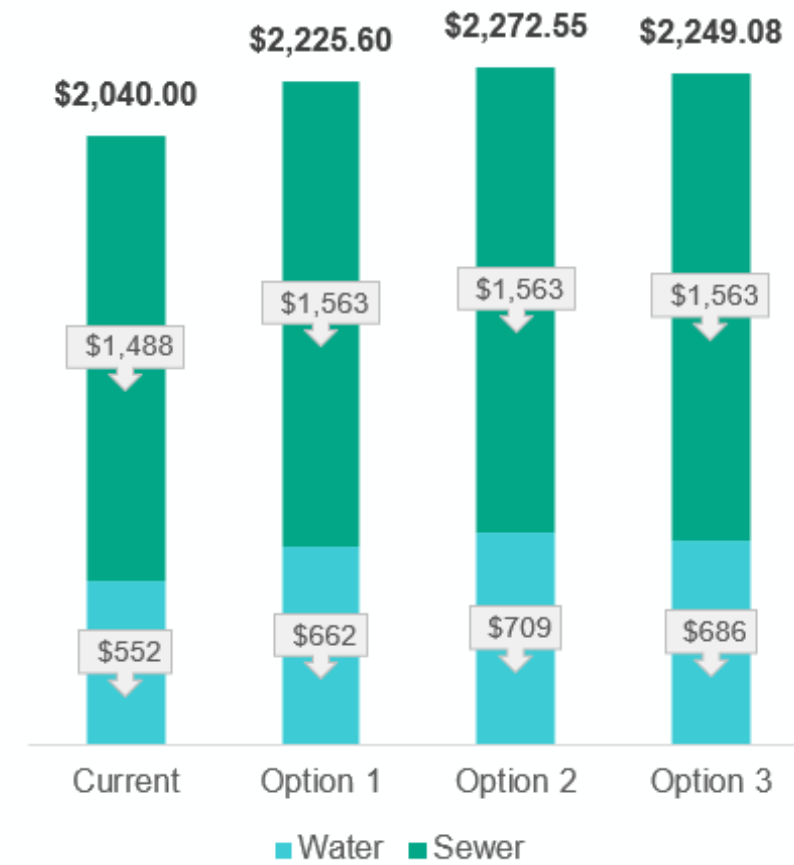
Typical-Volume Household; 6 Kgal/Quarter



High-Volume Household; 25 Kgal/Quarter



Typical-Volume Commercial; 40 Kgal/Quarter



Change	Option 1	Option 2	Option 3
Annual (\$)	\$57.6	\$9.6	\$33.6
Quarterly (\$)	\$14.4	\$2.4	\$8.4
Monthly (\$)	\$4.8	\$0.8	\$2.8
Daily (\$)	\$0.2	\$0.0	\$0.1
% Change	13.4%	2.2%	7.8%

Change	Option 1	Option 2	Option 3
Annual (\$)	\$112.0	\$102.9	\$107.5
Quarterly (\$)	\$28.0	\$25.7	\$26.9
Monthly (\$)	\$9.3	\$8.6	\$9.0
Daily (\$)	\$0.3	\$0.3	\$0.3
% Change	9.7%	8.9%	9.3%

Change	Option 1	Option 2	Option 3
Annual (\$)	\$185.6	\$232.6	\$209.1
Quarterly (\$)	\$46.4	\$58.1	\$52.3
Monthly (\$)	\$15.5	\$19.4	\$17.4
Daily (\$)	\$0.5	\$0.6	\$0.6
% Change	9.1%	11.4%	10.2%

What's Next?



Step 1: Receive feedback from commissioners



Step 2: Finalize rate recommendations



Step 3: Communicate to public and hold rate hearing



Step 4: Implement rates and update model frequently

Thank you!



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Volumetric Water Rates– FY 2024 – FY 2028

Volumetric Water Rates	Tier	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential Water Rates (kGal)</u>							
Residential	15 - ∞	\$ 3.00	\$ 3.60	\$ 3.82	\$ 4.04	\$ 4.29	\$ 4.54
Residential - Out of Date Meter	15 - ∞	\$ 3.00	\$ 3.60	\$ 3.82	\$ 4.04	\$ 4.29	\$ 4.54
Irrigation	∞	\$ 3.25	\$ 3.90	\$ 4.13	\$ 4.38	\$ 4.64	\$ 4.92
<u>Commercial Water Rates (kGal)</u>							
All Customers	∞	\$ 3.00	\$ 3.60	\$ 3.82	\$ 4.04	\$ 4.29	\$ 4.54
Irrigation	∞	\$ 3.25	\$ 3.90	\$ 4.13	\$ 4.38	\$ 4.64	\$ 4.92

Base Water Rates– FY 2024 – FY 2028

Base Water Rates	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential Base Rate (Quarterly)</u>						
Residential	\$ 60.00	\$ 72.00	\$ 76.32	\$ 80.90	\$ 85.75	\$ 90.90
Residential - Out of Date Meter	\$ 120.00	\$ 144.00	\$ 152.64	\$ 161.80	\$ 171.51	\$ 181.80
Residential Non-Metered	\$ 249.00	\$ 298.80	\$ 316.73	\$ 335.73	\$ 355.88	\$ 377.23
Irrigation	\$ 60.00	\$ 72.00	\$ 76.32	\$ 80.90	\$ 85.75	\$ 90.90
<u>Commercial Base Rate (Monthly)</u>						
5/8" Meter	\$ 28.00	\$ 33.60	\$ 35.62	\$ 37.75	\$ 40.02	\$ 42.42
3/4" Meter	\$ 30.00	\$ 36.00	\$ 38.16	\$ 40.45	\$ 42.88	\$ 45.45
1" Meter	\$ 36.00	\$ 43.20	\$ 45.79	\$ 48.54	\$ 51.45	\$ 54.54
1 1/2" Meter	\$ 43.00	\$ 51.60	\$ 54.70	\$ 57.98	\$ 61.46	\$ 65.14
2" Meter	\$ 63.00	\$ 75.60	\$ 80.14	\$ 84.94	\$ 90.04	\$ 95.44
3" Meter	\$ 210.00	\$ 252.00	\$ 267.12	\$ 283.15	\$ 300.14	\$ 318.14
4" Meter	\$ 265.00	\$ 318.00	\$ 337.08	\$ 357.30	\$ 378.74	\$ 401.47
6" Meter	\$ 538.00	\$ 645.60	\$ 684.34	\$ 725.40	\$ 768.92	\$ 815.06
<u>Fire Protection (Annual)</u>						
Per 1" of Riser Diameter	\$ 75.00	\$ 90.00	\$ 95.40	\$ 101.12	\$ 107.19	\$ 113.62

Volumetric Sewer Rates– FY 2024 – FY 2028

Volumetric Sewer Rates	Tier	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<u>Residential Sewer Rates (kGal)</u>							
Residential	∞	\$ 7.92	\$ 8.32	\$ 8.73	\$ 9.17	\$ 9.63	\$ 10.11
Residential - Out of Date Meter	∞	\$ 9.30	\$ 9.77	\$ 10.25	\$ 10.77	\$ 11.30	\$ 11.87
Multi-Unit	∞	\$ 8.80	\$ 9.24	\$ 9.70	\$ 10.19	\$ 10.70	\$ 11.23
<u>Commercial Sewer Rates (kGal)</u>							
All Customers	∞	\$ 9.30	\$ 9.77	\$ 10.25	\$ 10.77	\$ 11.30	\$ 11.87