City of Nashua
Wastewater Fund Rate/Revenue Requirement Analysis
September 2016

Presented on 7/25/2016 to the Mayor and Director of Public Works
Presented on 9/29/2016 to the Board of Public Works
Wastewater Fund Rate/Revenue Requirements Analysis

- Analysis of the Wastewater Fund for FY16 through FY22
  - Revenues – FY16 - $13.1M
    - Volumetric Revenues – Approximately 60% of User Fee Revenue
    - Demand (Meter) Revenues – Approximately 40% of User Fee Revenue
  - Estimated Revenues – Projected to Increase to $16.1M in FY19
  - Estimated Debt Service Payments – Increase from $4.2M in FY16 to $6.4M in FY19
  - Unrestricted Net Assets – 6/30/15 – $14,400,000 – will be reduced in next few years
  - Annual Review – November of each year after annual audit
  - Rate Increases – FY17 and FY19 would take effect on January 1

- Current issues impacting the Wastewater Fund include:
  - EPA requirements/regulations
  - Aging Infrastructure – Sewer System & Treatment Plant
  - State Aid Grant Funding – continued deferment
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Background

- Last rate analysis completed November 2013 resulted in 15% user fee rate/revenue increase effective January 1, 2014 (FY14).

  - FY14 Rate Increase was applied as follows:
    - 15% Increase in Volumetric Rate
    - 15% Increase Demand Rate

- History of Rate Adjustments:
  - FY04 Volumetric Rate Reduced from $1.66 to $1.22 per 100 cf
  - FY10 Volumetric Rate Increased from $1.22 to $1.55 per 100 cf
  - FY12 Volumetric Rate Increased from $1.55 to $1.78 per 100 cf
  - FY14 Volumetric Rate Increased from $1.78 to $2.05 per 100 cf
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Recommendation:

- Approval of a 15% increase in the wastewater user fee rates effective January 1, 2017:
  - Volumetric Rate Increase from $2.05 to $2.36 per 100 cf;
  - Average Quarterly Residential Demand Charge Increase from $27.77 to $31.94
  - Average Quarterly Residential Bill - $79.14
  - Quarterly Increase - $10.37
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Cost Analysis

- The Analysis includes the cost of operations, several capital projects, as well as an updated WERF (Wastewater Equipment Reserve Fund) schedule.

- Capital equipment replacement (WERF) costs for the next three fiscal years are projected as follows:
  - FY17 $2.1 million
  - FY18 $1.9 million
  - FY19 $0.4 million
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Cost Analysis

- Capital Projects & Expenditures
  - Funded with Debt:
    - FY17 $13.4 million
    - FY18 $0.9 million
    - FY19 None
  - Funded with Cash:
    - FY17 $8.0 million (of which $4.1 million relates to annual expenditures)
    - FY18 $2.6 million
    - FY19 $2.7 million
Community Comparison

Below is a comparison of current user fees for Nashua residents to similar communities in New Hampshire:

<table>
<thead>
<tr>
<th></th>
<th>Nashua (current)</th>
<th>Nashua (proposed)</th>
<th>Derry</th>
<th>Manchester</th>
<th>Concord</th>
<th>Keene</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumetric Rate per CCF</td>
<td>$2.05</td>
<td>$2.36</td>
<td>$2.98</td>
<td>$3.47</td>
<td>$4.61</td>
<td>$5.69</td>
</tr>
<tr>
<td>Fixed Charge – Avg. Quarterly</td>
<td>$27.77</td>
<td>$31.94</td>
<td>$35.66</td>
<td>$21.18</td>
<td>$41.49</td>
<td>$55.15</td>
</tr>
<tr>
<td>Avg. Quarterly Residential Bill</td>
<td>$68.77</td>
<td>$79.14</td>
<td>$80.36</td>
<td>$90.58</td>
<td>$92.20</td>
<td>$168.95</td>
</tr>
</tbody>
</table>

Notes:
- Average use 20 CCFs/Quarter.
- Concord Rates change September 1 – above uses current rates.
- Derry & Concord have “break points”/minimums in fixed charges.
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Summary

- Moving forward with the recommended revenue increase and debt financing should allow the City to:
  - Fund normal operating costs;
  - Meet EPA requirements;
  - Adequately fund reserves for future equipment needs;
  - Fund improvements with cash; and
  - Pay for the increase in debt service payments during the next several fiscal years.