

City of Claremont, NH  
Water and Sewer Rate Analysis &  
Recommendation

March 24, 2021

*Analysis done in-house by  
Water & Sewer Dept.*

# History

- The city's water and sewer infrastructure is a critical asset to the community which is relied upon 24/7 for 365 days a year to provide uninterrupted service.
- In 2016 a rate study was done for the City of Claremont by Municipal & Financial Services Group (MFSG) which revealed at the time that our rate structure did not align with the needs for our costs.
- At that time proposed rates by MFSG were adopted by the council and the water rates were increased by an average of 17% annually for the average to large water users; while the low consumer rate stayed the same. Sewer rates have remained unchanged over the last 5 years.

# Best Practice for Water & Sewer Rates

- 1) Ensure a Safe Water Supply
- 2) Cover all costs (Full-Cost Recovery)
- 3) Encourage Development
- 4) Maintain Adequate Cash Reserves

# Ensure a Safe Water Supply

To ensure the city's water supply is safe and continuously available to the citizens; we need to store, treat, and deliver it with no break in service.

- Watersource protection (invasive plants, animals and pollution)
- Ongoing Lead removal
- Pipe repairs, cleaning, replacing
- Water Treatment (both drinking and waste)

# Full-Cost Recovery

“The public is best served when the true cost of providing the infrastructure services is reflected in the rates they pay.

"Sustainability requires funding system depreciation to avoid just 'kicking the can down the road' and placing a bigger burden on future generations.”<sup>1</sup>

<sup>1</sup>Quote by Timothy Fortier, government affairs advocate, *New Hampshire Municipal Affairs Magazine*, Nov/Dec 2012



# Full-Cost Recovery

## Revenues that cover:

- 1) Operating Expenses
- 2) Existing Debt Payments
- 3) Future Depreciation

### FY2022 PROJECTED WATER & SEWER

\$3,084,730

\$1,287,533

\$1,137,100

**\$5,509,363**

# Encourage Development

The proposed rate structure minimizes the increases to small and medium sized businesses while keeping the increase to the average residential user at about the same pace as the previous 5 years.

From FY2016 thru FY2021, a minimal water customer using 250 cu ft per month saw their annual water & sewer bill increase \$6.88 per year (1.4% per year). These customers now pay \$34.40 more per year than they did in 2016.

By contrast, from FY2016 thru FY2021, a medium size commercial business using 4,000 cu ft of water per month saw their annual water & sewer bill increase \$476 per year (7.3% per year). These customers now pay \$1,904 more per year than they did in 2016.

***This is the result of our existing tiered water rate structure.***

# W&S Rates FY2016-FY2021

(Per Quarterly Billing Period)

Water	# of Custs	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Fixed Fee (5/8" meter)		\$ 9.50	\$ 11.15	\$ 13.10	\$ 15.40	\$ 18.10	\$ 18.10
0-1,000 Cu. Ft. Used	902	\$ 2.40	\$ 2.40	\$ 2.40	\$ 2.40	\$ 2.40	\$ 2.40
1,001-12,500 Cu. Ft. Used	2,149	\$ 4.10	\$ 4.80	\$ 5.60	\$ 6.60	\$ 7.80	\$ 7.80
12,501-50,000 Cu. Ft. Used	196	\$ 3.20	\$ 3.80	\$ 4.50	\$ 5.30	\$ 6.20	\$ 6.20
>50,000 Cu Ft Used	38	\$ 2.90	\$ 3.40	\$ 4.00	\$ 4.70	\$ 5.50	\$ 5.50

Sewer		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Fixed Fee		\$ 49.00	\$ 49.00	\$ 49.00	\$ 49.00	\$ 49.00	\$ 49.00
All Usage		\$ 5.90	\$ 5.90	\$ 5.90	\$ 5.90	\$ 5.90	\$ 5.90

Usage rates are per 100 Cu. Ft.

**First tier water rates did not increase from FY2016-FY2021.  
All other water tiers increased 90% cumulatively from  
FY2016-FY2021.**



# Claremont Sample Bills FY2016-FY2021

(Per Quarterly Billing Period)

<b>Combined Water &amp; Sewer Quarterly Bill</b>									
	<b>Meter Size</b>	<b>Usage (cf)</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>Avg Annual Increase</b>
<b>Minimal User (1 person HH)</b>	<b>5/8"</b>	<b>750</b>	<b>\$ 120.75</b>	<b>\$ 122.40</b>	<b>\$ 124.35</b>	<b>\$ 126.65</b>	<b>\$ 129.35</b>	<b>\$ 129.35</b>	<b>*1.4%</b>
<b>Avg Claremont User</b>	<b>5/8"</b>	<b>1,605</b>	<b>\$ 202.00</b>	<b>\$ 207.89</b>	<b>\$ 214.68</b>	<b>\$ 223.03</b>	<b>\$ 232.99</b>	<b>\$ 232.99</b>	<b>3.1%</b>
<b>Medium Commercial User</b>	<b>2"</b>	<b>12,000</b>	<b>\$1,307.90</b>	<b>\$1,398.20</b>	<b>\$1,501.80</b>	<b>\$1,630.20</b>	<b>\$1,783.80</b>	<b>\$1,783.80</b>	<b>7.3%</b>
<b>Large Commercial User</b>	<b>2"</b>	<b>18,000</b>	<b>\$1,858.40</b>	<b>\$1,985.20</b>	<b>\$2,131.30</b>	<b>\$2,308.70</b>	<b>\$2,539.80</b>	<b>\$2,539.80</b>	<b>7.1%</b>

**\*The only increase to the Minimal User was Fixed Water Rates.**

# Assumptions used to develop Claremont Proposed W & S Rates

- 1) Operating costs increase 2% per year
- 2) No customer growth
- 3) No change in consumption
- 4) No growth in Miscellaneous revenue  
*(interest, capacity, septage)*
- 5) Rates are set to cover full cost

# Proposed Claremont Rate Structure

(Per Quarterly Billing Period)

## PROPOSED CLAREMONT RATE STRUCTURE PER QUARTERLY BILLING

WATER	# of Cust	FY 2021	Proposed FY 2022	Proposed FY 2023	Proposed FY 2024	Proposed FY 2025	Proposed FY 2026
Fixed Fee (5/8" Meter)		\$ 18.10	\$ 18.60	\$ 19.10	\$ 19.60	\$ 20.15	\$ 20.70
0-1,000 CF Used	902	\$ 2.40	\$ 2.50	\$ 2.60	\$ 2.70	\$ 2.80	\$ 2.90
1,001-12,500 CF Used	2,149	\$ 7.80	\$ 7.20	\$ 7.40	\$ 7.60	\$ 7.80	\$ 8.00
12,501 - 50,000 CF Used	196	\$ 6.20					
Over 50,000 CF Used	38	\$ 5.50	\$ 5.70	\$ 5.90	\$ 6.10	\$ 6.30	\$ 6.50
Flat Water Rate	79	\$ 191.60	\$ 196.75	\$ 202.05	\$ 207.50	\$ 213.10	\$ 218.85

SEWER	# of Cust	FY 2021	Proposed FY 2022	Proposed FY 2023	Proposed FY 2024	Proposed FY 2025	Proposed FY 2026
Fixed Fee		\$ 49.00	\$ 50.25	\$ 51.55	\$ 52.90	\$ 54.30	\$ 55.70
All Usage	2,627	\$ 5.90	\$ 6.10	\$ 6.30	\$ 6.50	\$ 6.70	\$ 6.90
Flat Sewer Rate	11	\$ 179.50	\$ 184.15	\$ 188.95	\$ 193.85	\$ 198.90	\$ 204.05

Usage rates are per 100 Cu Ft (CF)



1 Cubic Foot = 7.5 gallons

*Water Fixed fees and Flat Rate increases 2.7% per year.  
Sewer Fixed fees and Flat Rate increases 2.6% per year.*

# Proposed Claremont Sample Bills

(Per Quarterly Billing Period)

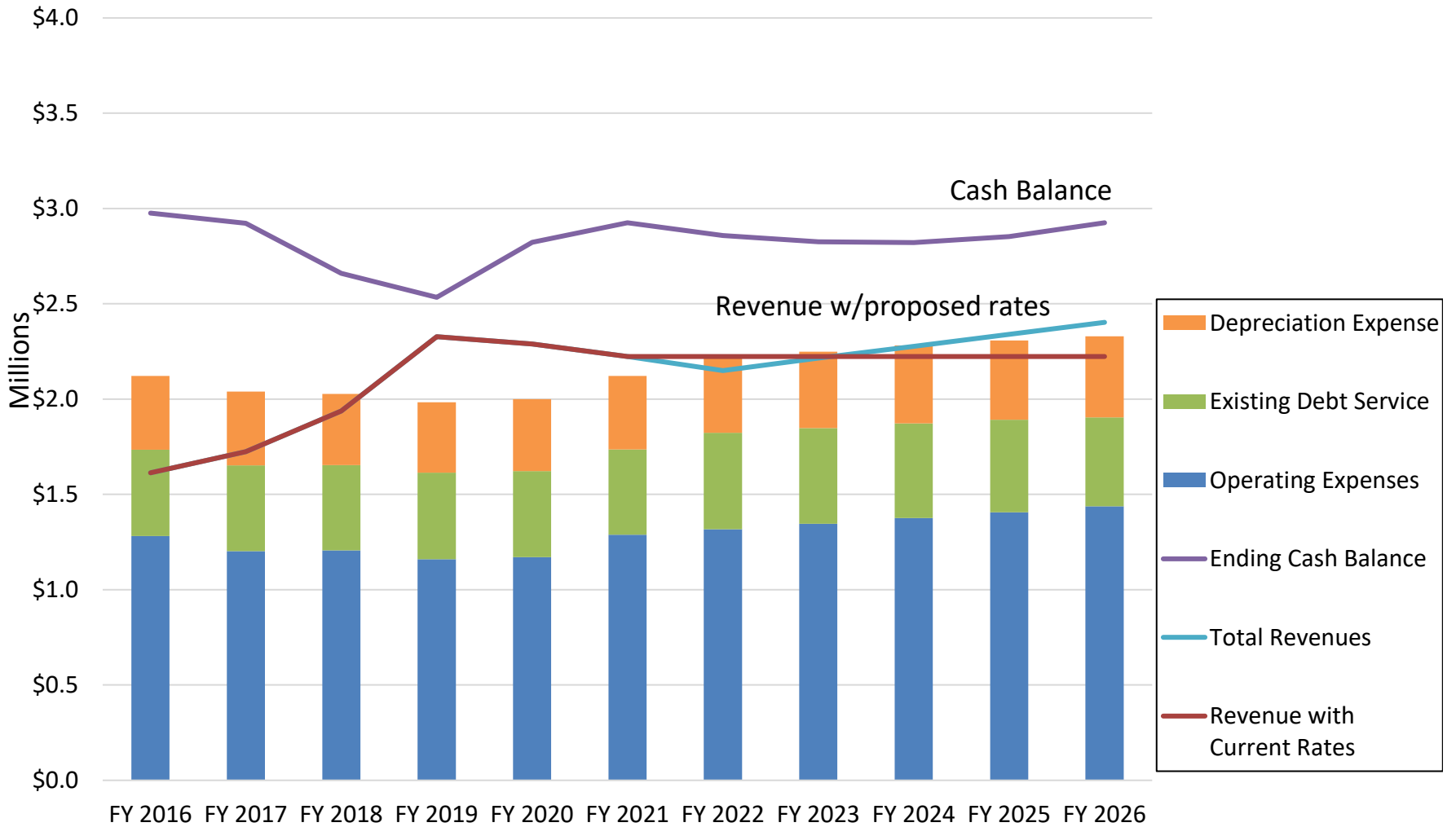
Combined Water and Sewer Sample Quarterly Bills for Claremont

	Meter Size	Usage (cf)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Avg Annual % Increase 2016->2021	Avg Annual % Increase 2021->2026	Avg Annual % Increase 2016->2026
Minimal User (Avg 1 person HH)	5/8"	750	\$ 129.35	\$ 133.35	\$ 137.40	\$ 141.50	\$ 145.70	\$ 149.90	1.4%	3.2%	2.4%
Avg Claremont Residential	5/8"	1,605	\$ 232.99	\$ 235.32	\$ 242.54	\$ 249.81	\$ 257.18	\$ 264.55	3.1%	2.7%	3.1%
Medium Commercial User	2"	12,000	\$ 1,783.80	\$ 1,748.05	\$ 1,800.35	\$ 1,852.70	\$ 1,905.50	\$ 1,958.30	7.3%	2.0%	5.0%
Large Commercial User	2"	18,000	\$ 2,517.80	\$ 2,546.05	\$ 2,622.35	\$ 2,698.70	\$ 2,775.50	\$ 2,852.30	7.1%	2.7%	5.3%
Super Commercial User	2"	200,000	\$23,489.80	\$24,502.05	\$25,306.35	\$ 26,110.70	\$ 26,915.50	\$27,720.30	6.1%	3.6%	5.4%

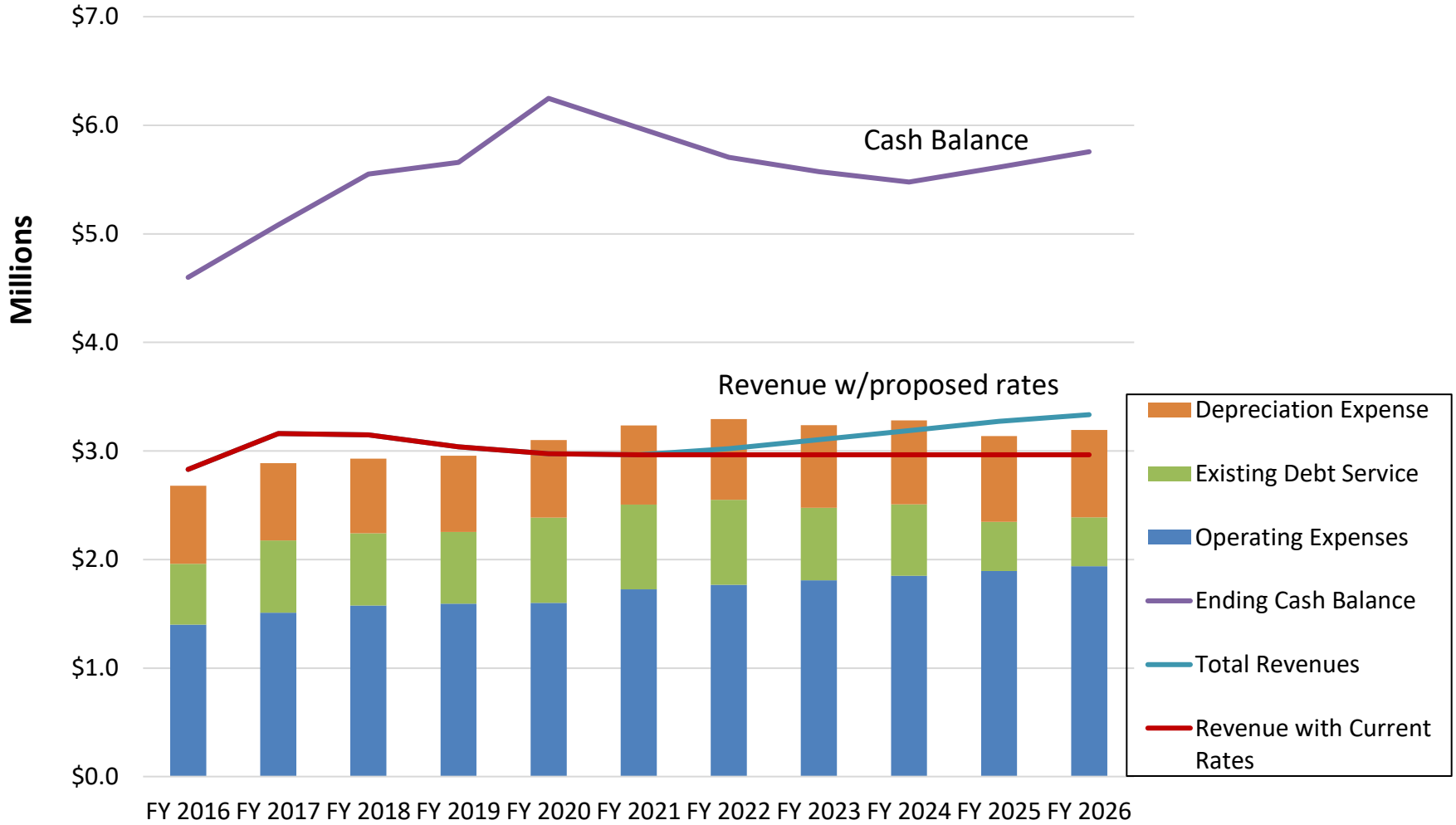
Avg Yrly increase FY2016 to FY2021 – 1 person HH \$ 6.88  
 Avg Yrly increase FY2016 to FY2021 - Avg Claremont User \$ 25.99  
 Avg Yrly increase FY2016 to FY2021 - Med Commercial User \$380.84  
 Avg Yrly increase FY2016 to FY2021- Lrg Commercial User \$527.64  
 Avg Yrly increase FY2016 to FY2021 – Super Comm User \$4,415.64

Avg Yrly increase FY2021 to FY2026 – 1 person HH \$ 16.44  
 Avg Yrly increase FY2021 to FY2026 – Avg Claremont User \$ 25.25  
 Avg Yrly increase FY2021 to FY2026 – Med Commercial User \$ 139.60  
 Avg Yrly increase FY2021 to FY2026 – Lrg Commercial User \$ 267.60  
 Avg Yrly increase FY2021 to FY2026 - Super Comm User \$3,384.40

## Revenue vs. Revenue Requirements - Water



# Revenue vs. Revenue Requirements - Sewer

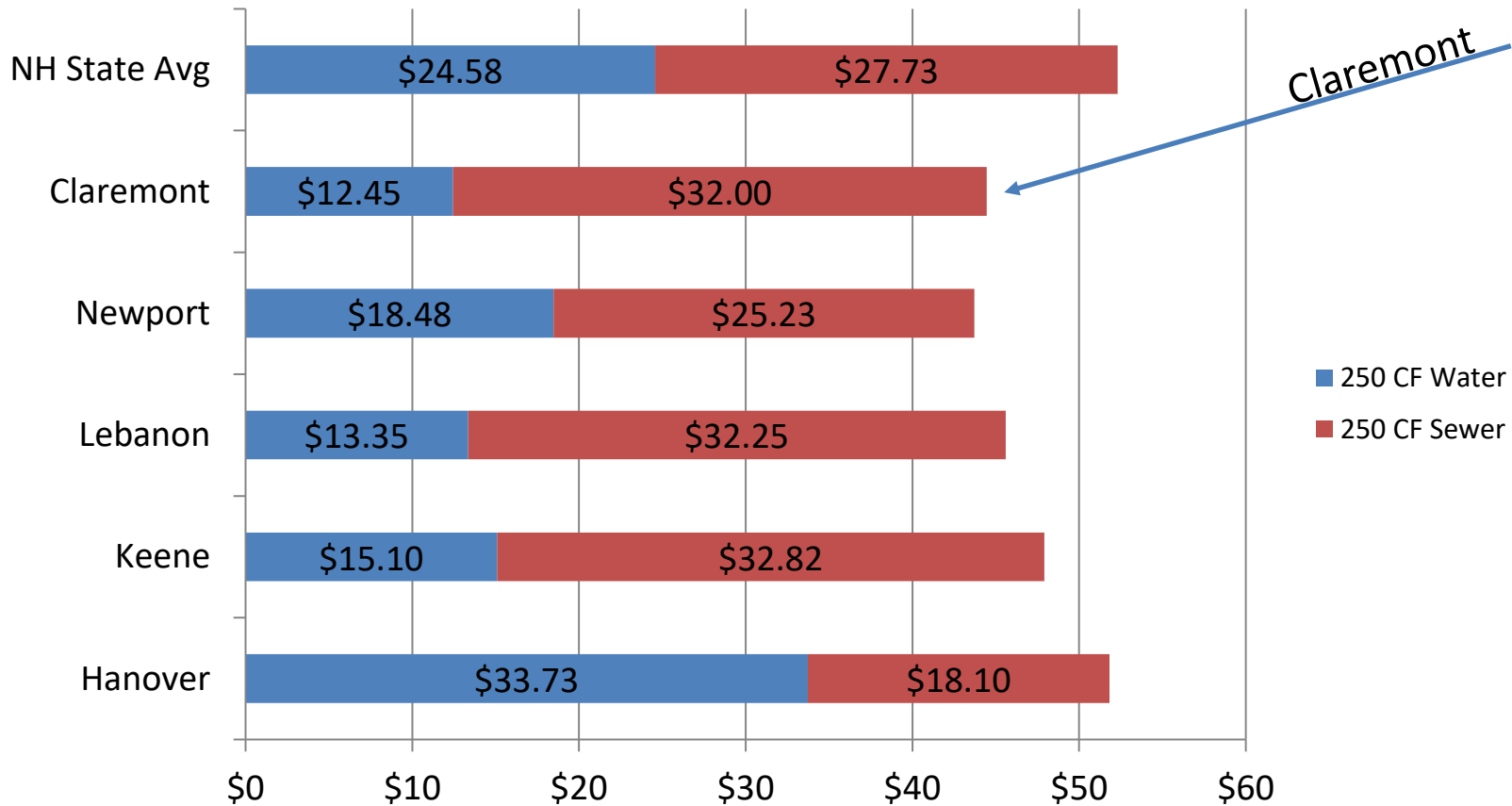


# FY2022 Monthly Water & Sewer Bill Comparison

(Based on 250 cu ft/month-Avg for 1 person household)

non-Claremont Cities rates assumed to increase 2.5%/yr. from FY2020

Bars represent total water and sewer cost



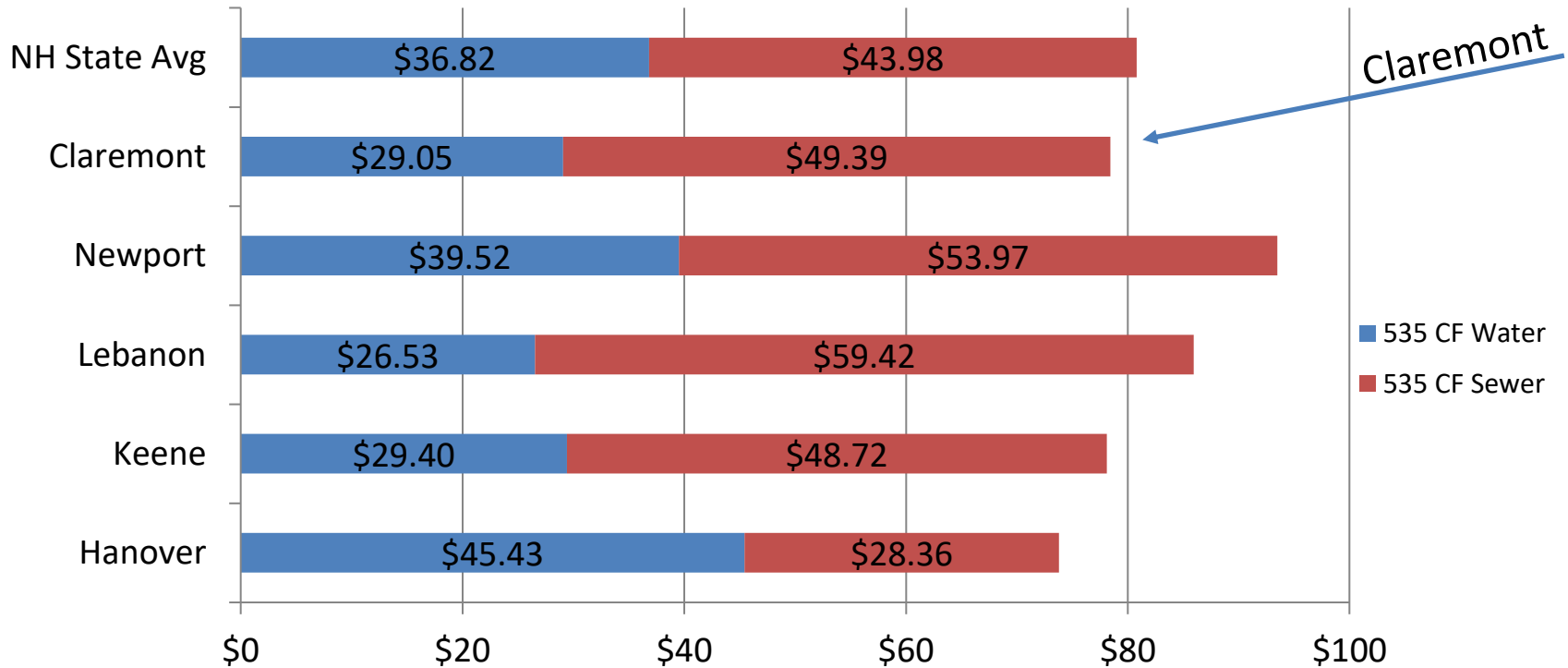
*Claremont low volume user costs are on the low side vs neighboring towns. Water in particular.*

# FY2022 Monthly Water & Sewer Bill Comparison

(Based on **535 cu ft/month-Avg Claremont Residential use**)

non-Claremont Cities rates assumed to increase 2.5%/yr. from FY2020

Bars represent total water and sewer cost



Claremont

*Claremont average residential user costs are comparable to neighboring towns.*

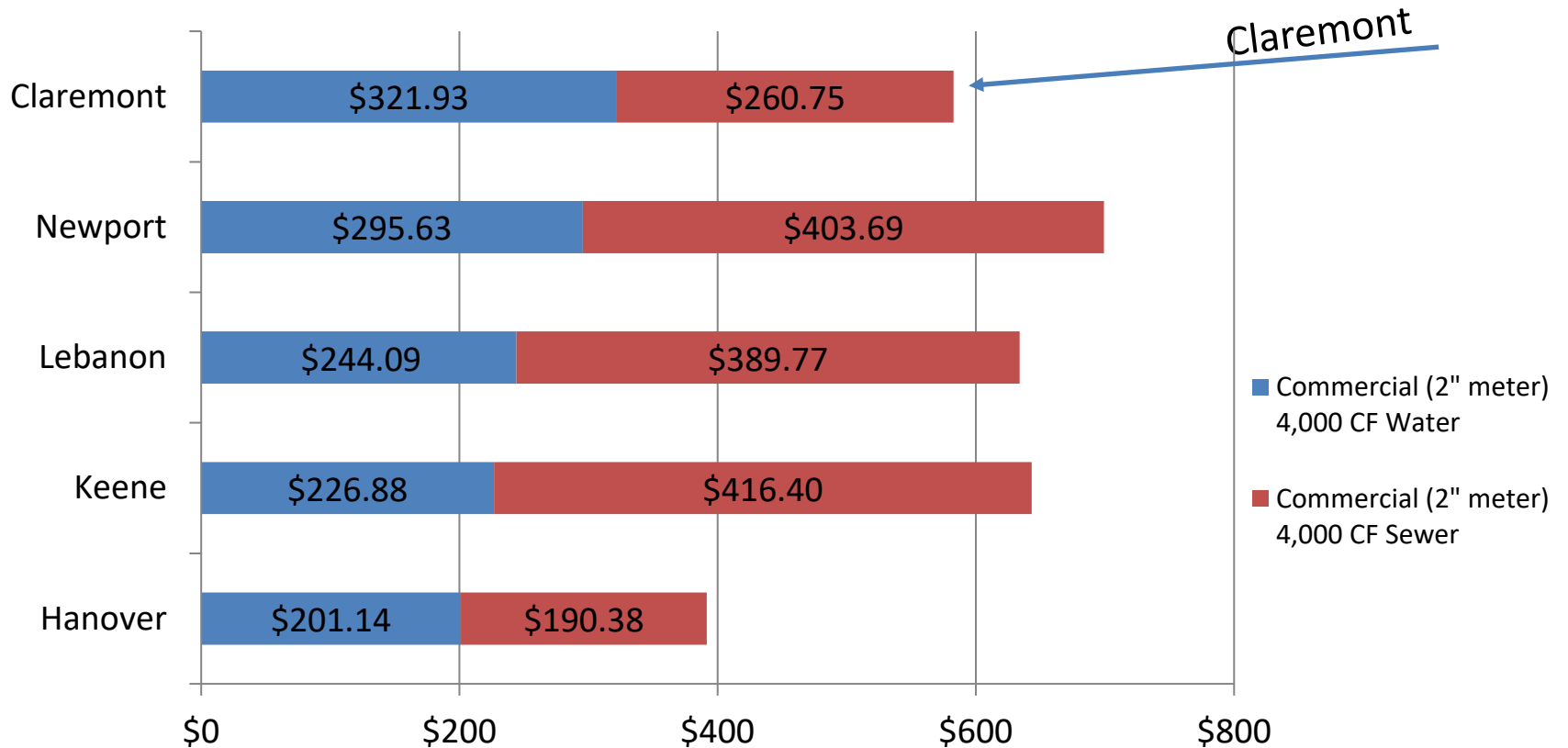


# FY2022 Monthly Water & Sewer Bill Comparison

(Based on *4,000 cu ft/month-i.e. Restaurant, Apartment Bldg.*)

non-Claremont Cities rates assumed to increase 2.5%/yr. from FY2020

Bars represent total water and sewer cost



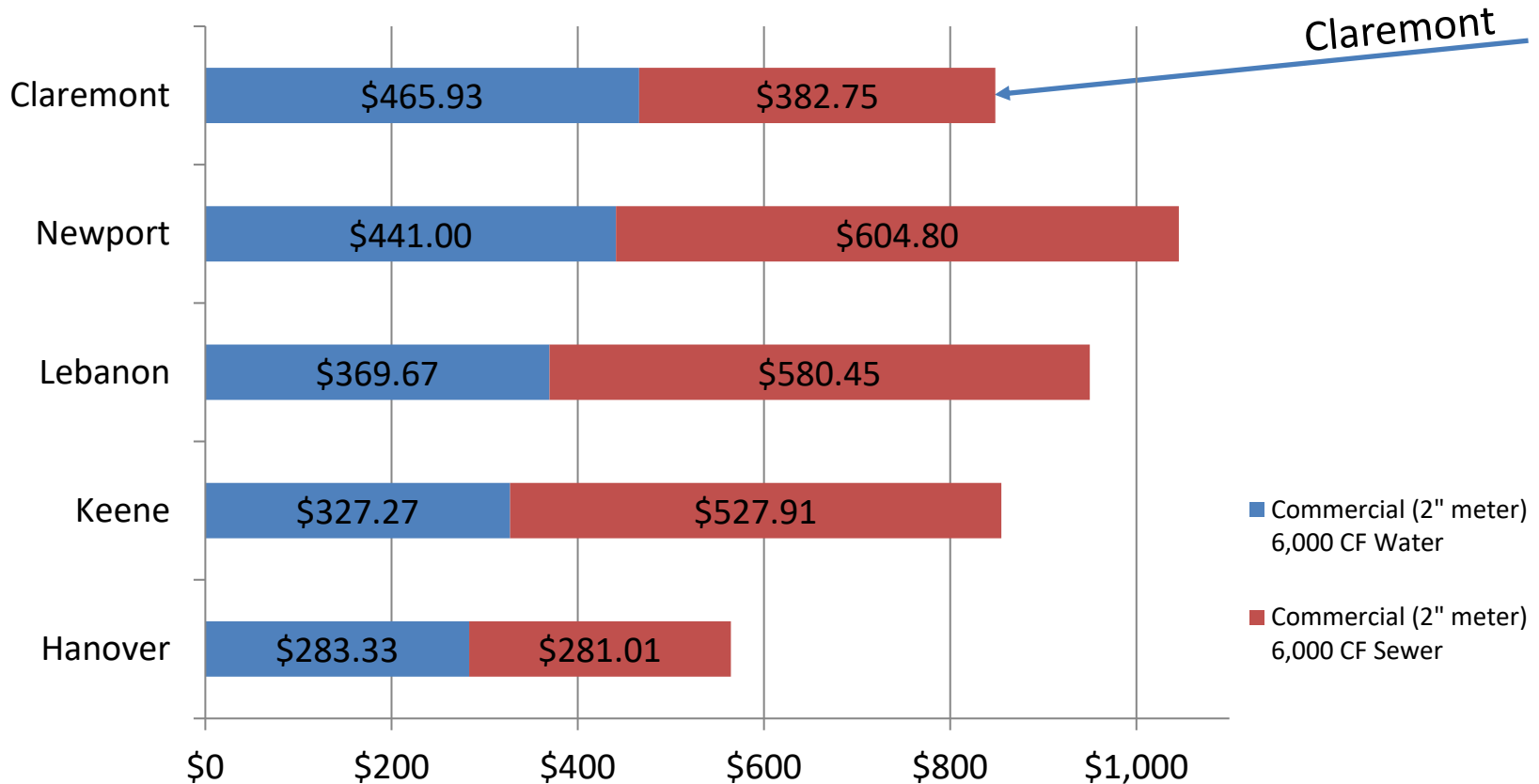
*Claremont small-medium business user costs are comparable to neighboring towns.*

# FY2022 Monthly Water & Sewer Bill Comparison

(Based on **6,000 cu ft/month-i.e. Large Restaurant, Laundromat**)

non-Claremont Cities rates assumed to increase 2.5%/yr. from FY2020

Bars represent total water and sewer cost



*Claremont large business user costs are comparable to neighboring towns.*

# Maintain Adequate Cash Reserves

## Cash Reserves are needed to:

- 1) Offset Fluctuations in Revenue
- 2) Cover Emergency Repairs
- 3) Fund Capital Needs – System Replacement

# \*AWWA Benchmarks for Cash Reserves

Cash Fund (W&S)	AWWA Benchmarks
Operating	3-12 months of oper exp & debt service
Capacity Replacement	included in other reserves
Capital Reserve	included in other reserves
Stabilization & Contingency Reserve	5-25% of annual revenue
Emergency Plant Reserve	1-2% of fixed assets
System Replacement Reserve	2% of net fixed assets

*\*AWWA=American Water Works Association - Standards setting body.*

# Claremont Cash Balances vs AWWA Benchmarks

<b>Cash Fund (W&amp;S)</b>	<b>Bal @ 6/30/2020</b>	<b>Compared to AWWA Benchmarks</b>
Operating-incl due from gen fund	4,580,243	12.5 months of operating expenses (Max)
Capacity Replacement	533,854	included in other reserves
Capital Reserve	131,356	included in other reserves
Stabilization & Contingency Reserve	1,071,164	21% of annual revenue (Good)
Emergency Plant Reserve	1,001,185	2% of fixed assets (Max)
System Replacement Reserve	2,188,803	10% of net fixed assets (High)

*Overall Cash Reserves are adequate compared to AWWA benchmarks.*

# Moving Forward

- The current rates expire on June 30<sup>th</sup> 2021 and ideally the new rates adopted before that with council approval.
- The rate recommendation that is being proposed is meant to be fair and equitable for all members of the community, to promote future economic growth, and have the ability to maintain infrastructure stability for the City's water and sewer needs.