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TOWN OF NEWMARKET, NEW HAMPSHIRE

STAFF REPORT

DATE: May 18, 2022

TITLE: Water and Sewer Rate Increases

PREPARED BY: Sean T. Greig

TOWN ADMINISTRATOR'S COMMENTS – RECOMMENDATION:

[The Town Administrator will review the proposal and comment on the resolution]

BACKGROUND: Previously, I presented to the town's people and Town Council that the design, construction, and operation and maintenance of the new Wastewater Treatment Facility would cause the sewer rates to more than double. The Town Council was presented the option of having several yearly level sewer rate increases, or a one-time large sewer rate increase. The Town Council chose to go with the level yearly sewer rate increases. So I created a sewer rate model that produced the level rate increase projection chart that was presented to the Town Council in 2013.

FY	Sewer Rate	FY	Sewer Rate
2012-2013	\$6.70	2017-2018	\$10.50
2013-2014	\$7.46	2018-2019	\$11.26
2014-2015	\$8.22	2019-2020	\$12.02
2015-2016	\$8.98	2020-2021	\$12.78
2016-2017	\$9.74	2021-2022	\$13.54

The Department has been able to slow down the rate increases by maximizing the operational efficiency of the Wastewater Department. In addition, the Department several years ago applied for a State-Aid Grant (SAG) for the wastewater treatment facility. This program had been suspended and had not been budgeted in the State budget. Recently, the program has restarted and funds have been budgeted in the State budget. The Department received a check equal to 30% of the interest on the wastewater plant loan for FY 2022. However, if the State does not budget the SAG monies, or if the State has a budget shortfall, the State could suspend the program and not distribute the funds. In addition, the Department has receiving additional revenues from septage. Without the additional revenues, I estimate that the Department would need to continue to increase sewer rates over the next couple of years to the \$14.00 per 750 gallons range. Due to these additional revenue sources, the Department recommends no sewer rate increase for FY 2023.

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The Department does have quite a bit of aging infrastructure that includes pump stations and sewer mains, and increased labor needs that needs to be addressed. The Department will be creating a plan to address those needs responsibly with the least impact to the sewer user, and create a sewer rate model to illustrate how the plan will impact the sewer rate.

The Water Department currently replacing water mains and improving its water systems water pumping capacity and water quality. In order to meet the costs due to the water infrastructure improvements, the Department will be increasing water rates for the next couple of years to reach the \$7.75 range. The projected rate increase after this year is \$0.50 per year.

The proposed water rate for FY 2023 is \$6.75 for each 750 gallons consumed, plus \$10.00 per quarter system charge. The increase would be a \$24.00 per year increase on the average single family home water user.

DISCUSSION: Does the Town Council want to approve the water and sewer rate increases.

FISCAL IMPACT: The average Newmarket residential home Sewer User consumes 35,000 gallons of water per year. The cost for 35,000 gallons of water at the \$12.65 sewer rate is \$582.00 per year. The average Newmarket apartment consumes 27,000 gallons of water per year. The cost of 27,000 gallons of water at the \$12.65 sewer rate is \$455.40 per year. The cost per gallon for sewer at \$12.65 is 0.017 cents (less than 2 pennies a gallon).

The average Newmarket residential home Water User consumes 36,000 gallons of water per year. The cost for 36,000 gallons of water at the \$6.75 water rate is \$324.00 per year. The average Newmarket apartment consumes 27,000 gallons of water per year. The cost of 27,000 gallons of water at the \$6.75 water rate is \$243.00 per year. The cost per gallon for water at \$6.75 is 0.009 cents (less than a penny a gallon).

RECOMMENDATION: I recommend the Town Council approve the water rate increases.