



TOWN COUNCIL – AGENDA REQUEST FORM

THIS FORM WILL BECOME PART OF THE BACKGROUND INFORMATION USED BY THE COUNCIL AND PUBLIC

Please submit Agenda Request Form, including back up information, 8 days prior to the requested meeting date. **Public Hearing requests must be submitted 20**

days prior to the requested meeting date to meet publication deadlines (exceptions may be authorized by the Town Manager, Chairman/Vice Chair).

MEETING INFORMATION

Date Submitted: July 12, 2023

Date of Meeting: July 20, 2023

Submitted by: Dawn Tuomala

Time Required: 15 minutes

Department: DPW - Admin

Background Info. Supplied: Yes No

Speakers: Jessica Richard – Strategic Funding Manager –Wright-Pierce

CATEGORY OF BUSINESS (PLEASE PLACE AN "X" IN THE APPROPRIATE BOX)

Appointment:	<input type="checkbox"/>	Recognition/Resignation/Retirement:	<input type="checkbox"/>
Public Hearing:	<input type="checkbox"/>	Old Business:	<input checked="" type="checkbox"/>
New Business:	<input type="checkbox"/>	Consent Agenda:	<input type="checkbox"/>
Nonpublic:	<input type="checkbox"/>	Other:	<input type="checkbox"/>

TITLE OF ITEM

Sewer Rate Study

DESCRIPTION OF ITEM

To present the final Sewer Rates and Fees Study Report which identifies several financial inequities that need to be addressed to standardize billing practices.

REFERENCE (IF KNOWN)

RSA:	Warrant Article:
Charter Article:	Town Meeting:
Other:	N/A:

EQUIPMENT REQUIRED (PLEASE PLACE AN "X" IN THE APPROPRIATE BOX)

Projector:	<input type="checkbox"/>	Grant Requirements:	<input type="checkbox"/>
Easel:	<input type="checkbox"/>	Joint Meeting:	<input type="checkbox"/>
Special Seating:	<input type="checkbox"/>	Other:	<input type="checkbox"/>
Laptop:	<input checked="" type="checkbox"/>	None:	<input type="checkbox"/>

CONTACT INFORMATION

Name:	Dawn Tuomala	Address:	Town Hall
Phone Number:	(603) 424-5137	Email Address:	dtuomala@merrimacknh.gov

APPROVAL

Town Manager: Yes No Chair/Vice Chair: Yes No

Hold for Meeting Date:



Public Works Memo

March 1, 2023

Interim Director's review of the 2023 Wright-Pierce

Final Wastewater Rates and Fees Study Report

- The report provides a summary of the rate evaluation completed in 2021.
- A statewide NHDES (Water & Wastewater) study released in 2021 identified Merrimack as the 6th lowest user rate in the State.
- Merrimack's current rate for residential, commercial and industrial is \$304/CU/yr. with planned increases in,
 - FY 23/24 to \$340/CU/yr.
 - FY 25/26 to \$357/CU/yr.
- The New Hampshire statewide "new" residential user connecting fee is \$2,273. Merrimack's connection fee is \$2,000 and no recommended change is warranted at this time.
- The report acknowledges A-B constitutes approximately 50% facility volume but since NHDES has yet to make any changes to its permitting requirements, no fee structure changes to the 2010 agreement is warranted at this time.
- Based on the 2020/2021 budget, revenue from sewer rates are represented as follows;

○ Residential	27%
○ Commercial	06%
○ Industrial (non A-B)	03%
○ A-B	42%
○ Compost Sales	02%
○ Septate and Sludge Tip Fees	13%
○ Other	07%
- The current rate structure only pays for the operation of the WWTF and does not include upgrades. Upgrades are financed through;
 - The Capital Reserve Account, - recommend an annual budget contribution equal to at least 50% of operating budget.
 - State Revolving Loans (SRF) – A major upgrade (phase III and pump station) totaling \$30.7 million over a thirty-year loan at 2% interest with its first payment of \$1,754,064 is due FY 24/25
 - State Aid Grant (SAG) - has not been fully funded by NH State Legislature within the previous ten years and has an uncertain future.
- Reserves, the report acknowledges over the last ten years, Merrimack has built a healthy capital reserve account. Assuming loan reimbursements are paid through capital reserves, it is imperative a healthy balance be maintained.
- Wright-Pierce's study identified the following;
 - Commercial apartment complexes, town houses, multi-dwelling units do not pay their fair share.
 - Historically multi-unit properties are billed on water usage similar to commercial users which breaks down to an average of \$67 per year or 22% of what the average homeowner (single family homes, condos, duplex, etc.) who currently pays a flat rate of \$304 per year.



- This change in the flat rate system should not be applied to hotels or motels.
- Similarly, (not from the report but by personnel observation) some multi-use business complexes have been assessed along the same lines as (commercial apartments) above (water usage vs. flat fee). This practice is difficult for bookkeeping, confusing for multi-use owners, and should be standardized across the board to the flat rate billing (currently \$304/yr.) system.
- Septage (material pumped out of septic tanks) Merrimack's rate is \$78.40 median tipping rate at other NH facilities is \$70/1,000. Reevaluate every two years and pace with inflation (3-4.5%).
- Sludge Processing – study confirmed, composting process is the most cost effective means of handling Merrimack's sludge and a small revenue stream by handling other communities as well. Tipping fee agreements between eight communities range between \$55.14 and \$69.21 (based on volume) and a 03% annual increase.
 - Moving forward the report recommends that the effective cost/ton spend processing Merrimack's sludge be proportionately applied and comparable with its receiving communities.
 - Similar to Septage, reevaluate every two years and adjust as needed to pace with inflation.
- Pollutant Parameters, the 2014 EPA permit tightened phosphorus limits, and the next NPDES permit which is overdue from EPA will most likely tighten phosphorus limits and include nitrogen regulations.
 - Currently A-B's contribution in both phosphorus and nitrogen are within current discharge limits and no additional funds are spent. However, moving forward if phosphorus levels change, or if a nitrogen limit changes, an additional surcharge may be warranted.

Conclusion;

- The above reviewed several highpoints of the Wright-Pierce report, it is not intended to simplify, gloss over, or minimize the detail and options that went into overall document.
- The report reaffirms and validates many monetary practices already in place. However it also identified several financial inequities that need to be addressed to standardize billing practices.

Town of Merrimack, NH
Sewer Rate Study


July 20, 2023
Jessica Richard



WRIGHT-PIERCE
Engineering a Better Environment

Presentation Overview

- What is a Sewer Rate Study?
- Current Sewer Rate Structure
- Goals
- Rate Structure Scenarios
- Recommendations
- Questions?



WRIGHT-PIERCE
Engineering a Better Environment

2

What is a Sewer Rate Study?

- Evaluates the actual costs of operating and maintaining a sewer system.
- American Water Works Association (AWWA) recommends rate study is updated when system needs change.
 - Living Document
- Last sewer rate study completed in 2009
- Significant capital changes have been implemented or are currently being implemented since last study
- Projects improvements include:
 - Sewer interceptor and manhole rehabilitation
 - WWTF Dewatering Upgrade
 - WWTF Phase II and Compost Facility Upgrade
 - WWTF Phase III, Phase IV, Phase V, and Pump Station Upgrades

Project Goals

- Develop budget projections
- Account for operations, maintenance, and capital costs
- Sufficiently fund the wastewater enterprise fund
- Maintain reserve funds
- Develop fair and equitable rate recommendations

Current Sewer Rate Structure

- **Pays only for the operations of the WWTF**
 - Does not include upgrades
- **Upgrades are Financed:**
 - **Capital Reserve Account**
 - Annual recommended contribution of at least 50% of the operating budget
 - **NHDES State Revolving Loans**
 - **State Aid Grants (SAG)**
 - NH State Legislature has not fully funded the SAG in the previous 10 years

Sewer Rate Study Scenarios

Rate Models

- **No Future Rate Increases**
 - Assumes no future increases through FY31/32
 - Deficit of over \$20M by FY31/32
- **Bond Funding Model**
 - Assumes all upgrades funded through the SRF
- **Capital Reserve Funding Model**
 - Assumes all upgrades funded through the Town's capital reserve fund

Sewer User Rates as Percentage of Revenue

Revenue Category	Percent of Total FY 2020/21 Budget
Sewer User Rates	
Residential	27%
Commercial	6%
Industrial (not including A-B)	3%
A-B	42%
Compost Sales	2%
Septage and Sludge Tip Fees	13%
Other	7%

Benchmarking

NHDES/EFC Wastewater Rates - FY20-21

Rate Table 4: FY20-21 Monthly-Equivalent RESIDENTIAL WASTEWATER Bills at Various Consumption Levels (Includes Base Charges) (NHDES)

Utility / Rate Structure	Service Population	Oper. Revenue/ Oper. Expense	5,000 Gallons (668 ccf)	Annual Comparison
Seabrook - Water and Sewer	14,000		\$11.90	\$142.80
Hudson - Water and Sewer	16,500		\$15.60	\$187.20
Woodstock - Water and Sewer	2,950		\$18.80	\$225.60
Belmont - Water and Sewer	1,762	0.9	\$19.10	\$229.20
Milton Sewer Department	4,620		\$19.30	\$231.60
Bodwell Waste Services Corporation	112,109		\$21.40	\$256.80
Merrimack - Sewer	25,580		\$22.70	\$272.40
Tilton Sewer Commission	3,551		\$23.40	\$280.80
Errol - Sewer	205		\$25.50	\$306.00
Nashua - Sewer	88,815		\$26.40	\$316.80
Sanbornton - Sewer	2,983		\$26.90	\$322.80
West Swanzey - Sewer	896		\$28.30	\$339.60
Derry - Water and Sewer	17,200		\$29.60	\$355.20

7th Lowest Sewer Rate in NH

Bond Funded Model - Sewer User Rates

Year	Recommended Increase	Planned Increase
Current	(\$271)	(\$271)
FY 2021/22	12% (\$304)	12% (\$304)
FY 2023/24	12% (\$340)	12% (\$340)
FY 2025/26	20% (\$408)	5% (\$357)
FY 2027/28	20% (\$490)	N/A
FY 2029/30	10% (\$603)	N/A

Recommended Sewer User Rates – Capital Reserve Funding Model

Year	Residential (flat rate)		Commercial/Industrial	
	Increase (%)	Rate (\$/CU)	Increase (%)	Rate (\$/1,000 gal)
Current	N/A	\$271	N/A	\$3.88
FY 2021/22	12%	\$304	12%	\$4.28
FY 2023/24	12%	\$340	12%	\$4.79
FY 2025/26	10%	\$374	10%	\$5.27
FY 2027/28	10%	\$411	10%	\$5.79
FY 2029/30	7%	\$440	7%	\$6.20

Recommended Septage Tipping Fees

Year	Increase (%)	Fee (\$1,000 gal)
Current	N/A	\$78.40
FY 2021/22	3%	\$80.75
FY 2023/24	3%	\$85.17
FY 2025/26	3%	\$85.67
FY 2027/28	4.5%	\$89.52
FY 2029/30	3%	\$92.21

Recommended Sludge Tipping Fees

Year	Increase (%)	Fee (\$/1,000 gal)
Current	N/A	\$65.04
FY 2021/22	6%	\$70.24
FY 2023/24	4%	\$73.05
FY 2025/26	4%	\$75.98
FY 2027/28	4%	\$79.01
FY 2029/30	4%	\$82.17

Apartment Fee Comparison

Apartment Complex	Total Units	Units Rented	Flow Based Fee (current annual)	Flat Rate Fee	Fee Difference	Notes
Gilbert Crossing	240	100%	\$ 18,777.53	\$ 65,040.00	\$ 46,262.47	
Executive Park	280	70%	\$ 5,611.79	\$ 75,880.00	\$ 70,268.21	Based on 196 Units being occupied (\$53,116)
Homestead Apartments (Red Oak)	18	100%	\$ 1,526.10	\$ 4,878.00	\$ 3,351.90	
Bowers Landing	104	100%		\$ 28,184.00	\$ 28,184.00	
London Court Apartments	144	100%	\$ 13,998.92	\$ 39,024.00	\$ 25,025.08	
Wentworth Place (Coventry Court)	80	100%	\$ 6,882.79	\$ 21,680.00	\$ 14,797.21	Units are labeled 1-81 but there is no #13
Merrimack Meadows	96	100%	\$ 16,169.93	\$ 26,016.00	\$ 9,846.07	
Neighbor Works (Angelo Dr.)	57		\$ 2,810.54	\$ 15,447.00	\$ 12,636.46	New complex - 3 billing quarters
Depot St Apartments (7 Depot St)	8		\$ 1,075.21	\$ 2,168.00	\$ 1,092.79	
Nestlin Pines (23 McElwain)	6		\$ 744.91	\$ 1,626.00	\$ 884.09	3 billing quarters
JMR Construction (64 Front St)	8		\$ 717.01	\$ 2,168.00	\$ 1,450.99	
427 DW Hwy	2		\$ 271.00	\$ 542.00	\$ 271.00	
Overton III (29 Melwain St)	2		\$ 271.00	\$ 542.00	\$ 271.00	
			\$ 68,853.73	\$ 283,195.00	\$ 214,341.27	

Upcoming - Approved				
Crosswoods Path II	21			\$ 5,691.00
Edge Brook	232			\$ 62,872.00
Bowers Landing II	72			\$ 19,512.00
Park Place (Slate)	224			\$ 60,704.00
				\$ 431,974.00

THANK YOU