



CITY OF HAGERSTOWN, MARYLAND

Utilities Department

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May 2, 2024

To: Scott Nicewarner, City Administrator
From: Nancy Hausrath, Director of Utilities
Ashley Newcomer, Utilities Financial Manager
Subject: Water/Wastewater Rates Three Year Rate Plan
Action: Public Hearing

The Utilities Department Financial/Administrative staff along with staff from NewGen Strategies and Solutions, LLC to update the existing Water and Wastewater Rate Model to develop a Water and Wastewater three year rate plan which becomes effective on July 1, 2024 (FY25) and is effective through June 30, 2027 (FY27). Per Chapter 238 and 240, the Mayor and City Council may amend water and wastewater rates by Ordinance during the term of this 3-year rate plan. Attached for discussion is the presentation developed utilizing updated financial operational requirements and capital needs for each operation. Assumptions were developed utilizing historical data, current trends, and economic projections including but not limited to the following:

- Fees and Charges collected will continue to self-support the Departments' financial needs
- Fees and Charges collected will allow for continued reinvestment of the systems
- Contingency and Unplanned Expense fund reserves should be maintained
- 1.5% Inflation rate
- 1.0 % Customer growth rate
- -0.5% Consumption growth rate

The revenue requirements developed in the rate model utilized the criteria listed below. This criterion was also used to develop/update the current proposed rate plan and is included in our three year capital and budget projections for the approved FY24 Budget and proposed FY25 Budget.

- operating and maintenance costs
- capital improvements
- existing debt service
- contributions to reserves

The previously adopted five year rate plan contained the following for consideration (with the exception of Benefit Fees). The current Rate Plan builds on the work previously completed and includes a Benefit Fee increase of 3% for Water and Wastewater.

- Institute an approved 5 year rate structure which will eliminate the need for annual approvals and will diminish our dependence of the use of benefit charges to fund outstanding debt and allow the utilities to continue to perform financially independent from the General Fund while maintaining the ability to meet the environmental requirements and regulations mandated by the regulatory agencies
- Adopt an inclining block rate structure to promote conservation for residential customers
- Increase the fixed charges to capture the true cost of the billing and revenue collection process

- Maintain a utility rate basis for setting Outside City rates
- Establish a Repair, Renewal, and Replacement (3R) Reserve Fund for aging infrastructure expenditures that are growth related
- Increase Fire Line Charges (3% per year)
- Increase Benefit Fee Charges (3% per year)

In order to achieve and maintain the financial health of the Water and Wastewater Divisions, staff propose a 14% Water Rate Increase and a 13% Wastewater Rate Increase (Sewer) for FY25, FY26, and FY27. Staff will continue to work with NewGen to maintain the model annually to ensure the required revenue is collected for each fund.

PROPOSED RATE ADJUSTMENTS					
		FY24*	FY25	FY26	FY27
WATER FUND SUMMARY					
Water Rate Increase	Inside	3.0%	14.0%	14.0%	14.0%
Water Rate Increase	Outside	3.0%	14.0%	14.0%	14.0%
Total System Operating Revenue Requirement		\$ 12,005,000	\$ 14,330,000	\$ 14,586,000	\$ 14,846,000
Ending Water Operating Cash Balance		\$ 19,420,000	\$ 15,416,000	\$ 9,780,000	\$ 7,695,000
WASTEWATER FUND SUMMARY					
Wastewater Rate Increase	Inside	2.0%	13.0%	13.0%	13.0%
Wastewater Rate Increase	Outside	2.0%	13.0%	13.0%	13.0%
Total System Operating Revenue Requirement		\$ 11,647,000	\$ 13,318,000	\$ 13,530,000	\$ 13,745,000
Ending Wastewater Operating Cash Balance		\$ 10,597,000	\$ 2,686,000	\$ (622,000)	\$ (1,967,000)
*FY24 Rate Adjustment Approved in the Current Rate Plan					

The charts on the following pages show the increase in a water and sewer bill for a customer using 9,000 gallons per quarter and 13,500 gallons per quarter.

City Staff will be available to discuss the information during the May 7, 2024 Work Session.

SAMPLE WATER BILL - INSIDE RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Water Bill
Usage	9,000	\$ 8.32	\$ 1.87	\$ 25.15
Proposed FY25				
		Inside - Fixed	Inside - Usage	Total Water Bill
Usage	9,000	\$ 9.36	\$ 2.13	\$ 28.53
QUARTERLY WATER INSIDE INCREASE:				\$ 3.38

SAMPLE SEWER BILL - INSIDE RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	9,000	\$ 24.90	\$ 6.07	\$ 79.53
Proposed FY25				
		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	9,000	\$ 28.29	\$ 6.89	\$ 90.30
QUARTERLY SEWER INSIDE INCREASE:				\$ 10.77

SAMPLE WATER BILL - OUTSIDE RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Water Bill
Usage	9,000	\$ 24.21	\$ 4.53	\$ 64.98
Proposed FY25				
		Inside - Fixed	Inside - Usage	Total Water Bill
Usage	9,000	\$ 27.24	\$ 5.16	\$ 73.68
QUARTERLY WATER OUTSIDE INCREASE:				\$ 8.70

SAMPLE SEWER BILL - OUTSIDE RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	9,000	\$ 41.37	\$ 10.17	\$ 132.90
EC				
Proposed FY25				
		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	9,000	\$ 47.00	\$ 11.54	\$ 150.86
QUARTERLY SEWER OUTSIDE INCREASE:				\$ 17.96

SAMPLE SEWER BILL - JOINT RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	9,000	\$ 35.98	\$ 8.83	\$ 115.45
Proposed FY25				
		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	9,000	\$ 40.88	\$ 10.02	\$ 131.06
QUARTERLY SEWER JOINT INCREASE:				\$ 15.61

SAMPLE WATER BILL - INSIDE RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Water Bill
Usage	13,500	\$ 8.32	\$ 1.87	\$ 33.57
Proposed FY25		Inside - Fixed	Inside - Usage	Total Water Bill
Usage	13,500	\$ 9.36	\$ 2.13	\$ 38.12
QUARTERLY WATER INSIDE INCREASE:				\$ 4.55

SAMPLE SEWER BILL - INSIDE RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	13,500	\$ 24.90	\$ 6.07	\$ 106.85
Proposed FY25		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	13,500	\$ 28.29	\$ 6.89	\$ 121.31
QUARTERLY SEWER INSIDE INCREASE:				\$ 14.46

SAMPLE WATER BILL - OUTSIDE RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Water Bill
Usage	13,500	\$ 24.21	\$ 4.53	\$ 85.37
Proposed FY25		Inside - Fixed	Inside - Usage	Total Water Bill
Usage	13,500	\$ 27.24	\$ 5.16	\$ 96.90
QUARTERLY WATER OUTSIDE INCREASE:				\$ 11.54

SAMPLE SEWER BILL - OUTSIDE RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	13,500	\$ 41.37	\$ 10.17	\$ 178.67
EC				
Proposed FY25		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	13,500	\$ 47.00	\$ 11.54	\$ 202.79
QUARTERLY SEWER OUTSIDE INCREASE:				\$ 24.13

SAMPLE SEWER BILL - JOINT RESIDENTIAL				
CURRENT		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	13,500	\$ 35.98	\$ 8.83	\$ 155.19
Proposed FY25		Inside - Fixed	Inside - Usage	Total Sewer Bill
Usage	13,500	\$ 40.88	\$ 10.02	\$ 176.15
QUARTERLY SEWER JOINT INCREASE:				\$ 20.97