

**Mayor and Council
Work Session
March 24, 2026
Agenda**

"The City of Hagerstown will inspire an inclusive, business-friendly, and sustainable community with clean, safe, and vibrant neighborhoods."

"The City of Hagerstown shall be a community focused municipality"

5:30 PM WORK SESSION

5:30 PM 1. Water: Discussion - Water Rate Model Update, *Nancy Hausrath, Director of Utilities*

CITY ADMINISTRATOR'S COMMENTS

MAYOR AND COUNCIL COMMENTS

ADJOURN

**REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND**

Topic:

Water: Discussion - Water Rate Model Update, *Nancy Hausrath, Director of Utilities*

Mayor and City Council Action Required:

Discussion:

Financial Impact:

Recommendation:

Motion:

Action Dates:

ATTACHMENTS:

File Name

Description

MEMO_WATER_MODEL_DISCUSSION_03202026.docx

MEMO WATER RATE
MODEL DISCUSSION

Hagerstown_Rate_Study_Findings_Presentation_(March_2026).pptx

SLIDES FOR
PRESENTATION



CITY OF HAGERSTOWN, MARYLAND

Utilities Department

1 Clean Water Circle • Hagerstown, MD 21740

Telephone: 301-739-8577, ext. 650

Website: www.hagerstownmd.org

March 24, 2026

To: Scott Nicewarner, City Administrator

From: Nancy Hausrath, Director of Utilities

Action: Discussion - Water Rate Model Update

As requested by the Mayor and City Council, please find attached the presentation discussing a multi-tiered water rate structure as was discussed previously. Please note that this rate structure will maintain customer class designations as well as all customer bills being based on the same rate tiers (4-tier structure). This structure also maintains the inside/outside differential.

The percentage increase per customer classification will vary based on individual customer usage. At this time, staff is recommending not making any changes to the wholesale customer rate tiers other than including a percentage increase based on increased cost associated with producing and distributing water.

As was discussed prior to the adoption of the water rates, should the Mayor and City Council adopt the proposed rate structure, rates can be amended via ordinance as may be needed.

Staff will present the proposed rate model during the March 24th Mayor and City Council meeting (Special Session).



March 24, 2026 | City of Hagerstown | Water and Wastewater Rate Study Update

Presentation: Water Rate Study Findings



Mike Maker, Partner
Connor Drucis, Senior Consultant



Water Rate Design Alternative (changes in green)

- Current (Status Quo)
 - Fixed Fees (varies by meter size)
 - Monthly or Quarterly; Inside, Outside, or Wholesale
 - Usage Fees (per 1,000 gallons)
 - Inside, Outside, or Wholesale; Two-Tier Residential (Inclining Block); Two-Tier Non-Residential (Declining Block)
 - Average Percent of Volumetric Revenue: Residential ~43%; Non-Residential ~51%; Wholesale ~6%
 - All customers see similar bill percentage increases (~5-7% for FY 2027)
- Alternative (One Class - Inclining Block Design)
 - Fixed Fees (varies by meter size)
 - Monthly or Quarterly; Inside, Outside, or Wholesale
 - Usage Fees (per 1,000 gallons)
 - Inside, Outside: Four-tier inclining block rate with the same rates and tier-cutoffs for residential and non-residential customers
 - Wholesale; Two-Tier Residential (Declining Block), Proposed Increases are Applied to Current Rates.
 - Average Percent of Volumetric Revenue: Residential ~31%; Non-Residential ~62%; Wholesale ~7%
 - Large Non-Residential customers will see larger water bill percentage increases due to averaged rate (due to Tier 1 rate decreasing and Tier 2 rate increasing)

Projected Water Inside City Fees (Alternative Rate Design)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Quarterly Fixed Fee*						
5/8	\$10.50	\$12.73	\$13.30	\$13.89	\$14.51	\$15.16
3/4	\$10.50	\$12.73	\$13.30	\$13.89	\$14.51	\$15.16
1	\$26.25	\$31.81	\$33.24	\$34.73	\$36.28	\$37.91
1 1/2	\$52.50	\$63.63	\$66.48	\$69.45	\$72.56	\$75.81
2	\$84.00	\$101.80	\$106.36	\$111.12	\$116.10	\$121.30
3	\$168.00	\$203.61	\$212.72	\$222.25	\$232.20	\$242.60
4	\$262.50	\$318.14	\$332.38	\$347.26	\$362.81	\$379.06
6	\$525.00	\$636.27	\$664.76	\$694.53	\$725.63	\$758.12
8	\$840.00	\$1,018.04	\$1,063.62	\$1,111.25	\$1,161.00	\$1,212.99
10	\$1,449.00	\$1,756.12	\$1,834.75	\$1,916.90	\$2,002.73	\$2,092.41
Quarterly Usage Fees (per 1,000 gallons)**						
All Customers						
Level 1 (0 - 9,000 gallons)	<i>varies</i>	\$1.76	\$1.84	\$1.94	\$2.03	\$2.13
Level 2 (9,000-18,000 gallons)		\$2.19	\$2.30	\$2.42	\$2.54	\$2.67
Level 3 (18,000-36,000 gallons)		\$2.63	\$2.77	\$2.90	\$3.05	\$3.20
Level 4 (Over 36,000 gallons)		\$3.07	\$3.23	\$3.39	\$3.56	\$3.73

*monthly fixed fees are 1/3 of quarterly fees

**monthly usage levels are 1/3 of quarterly usage levels

Projected Water Outside City Fees (Alternative Rate Design)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Quarterly Fixed Fee*						
5/8	\$30.55	\$30.54	\$31.91	\$33.34	\$34.83	\$36.39
3/4	\$30.55	\$30.54	\$31.91	\$33.34	\$34.83	\$36.39
1	\$76.38	\$76.35	\$79.77	\$83.34	\$87.08	\$90.97
1 1/2	\$152.75	\$152.71	\$159.54	\$166.69	\$174.15	\$181.95
2	\$244.40	\$244.33	\$255.27	\$266.70	\$278.64	\$291.12
3	\$488.80	\$488.66	\$510.54	\$533.40	\$557.28	\$582.24
4	\$763.75	\$763.53	\$797.72	\$833.44	\$870.75	\$909.74
6	\$1,527.50	\$1,527.06	\$1,595.43	\$1,666.87	\$1,741.51	\$1,819.49
8	\$2,444.00	\$2,443.29	\$2,552.69	\$2,666.99	\$2,786.41	\$2,911.18
10	\$4,215.90	\$4,214.68	\$4,403.40	\$4,600.56	\$4,806.56	\$5,021.78
Quarterly Usage Fees (per 1,000 gallons)**						
All Customers						
Level 1 (0 - 9,000 gallons)	<i>varies</i>	\$4.21	\$4.42	\$4.65	\$4.88	\$5.12
Level 2 (9,000-18,000 gallons)		\$5.27	\$5.53	\$5.81	\$6.10	\$6.40
Level 3 (18,000-36,000 gallons)		\$6.32	\$6.64	\$6.97	\$7.32	\$7.68
Level 4 (Over 36,000 gallons)		\$7.37	\$7.74	\$8.13	\$8.54	\$8.96

*monthly fixed fees are 1/3 of quarterly fees

**monthly usage levels are 1/3 of quarterly usage levels

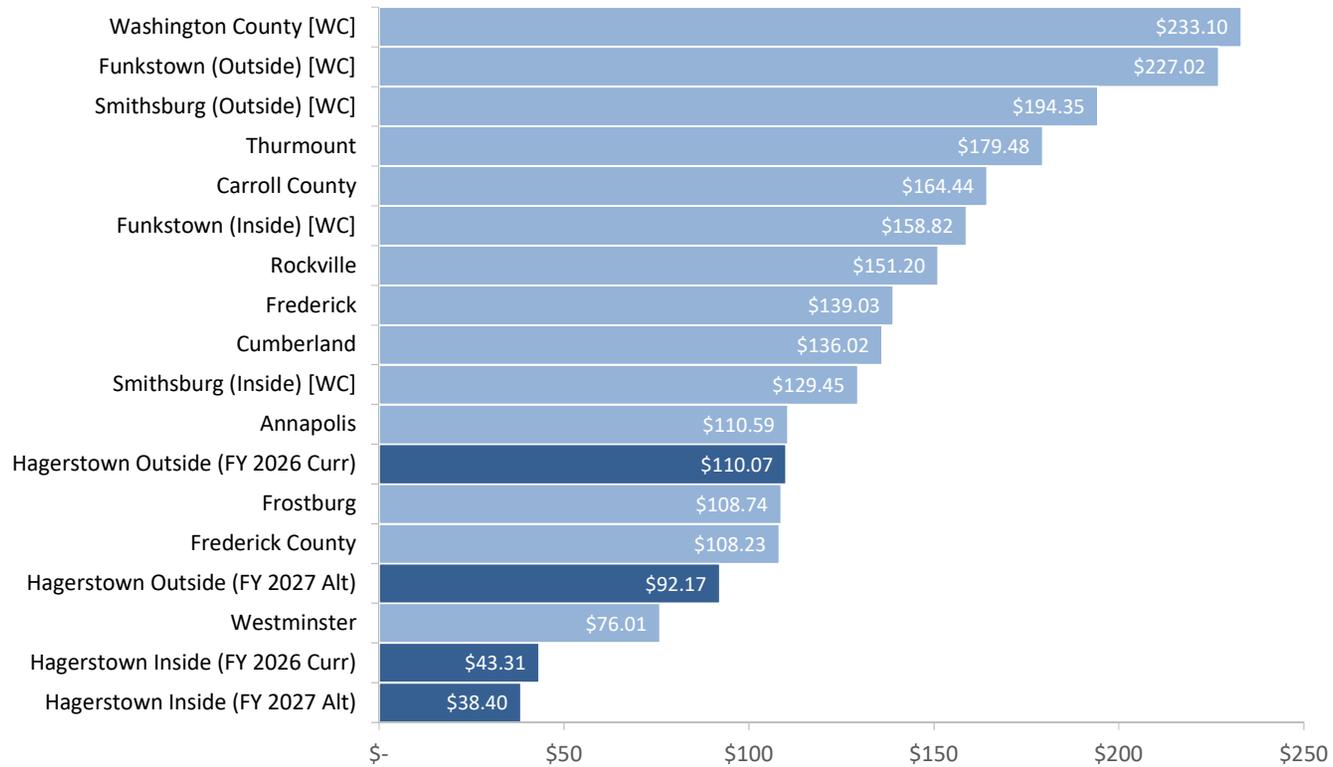
Projected Water Wholesale Fees (Alternative Rate Design)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Monthly Fixed Fee						
4	\$213.85	\$213.79	\$223.36	\$233.36	\$243.81	\$254.73
6	\$427.70	\$427.58	\$446.72	\$466.72	\$487.62	\$509.46
8	\$684.32	\$684.12	\$714.75	\$746.76	\$780.20	\$815.13
Monthly Usage Fees (per 1,000 gallons)						
Level 1 (0 - 33,333 gallons)	\$4.92	\$5.23	\$5.49	\$5.76	\$6.05	\$6.35
Level 2 (Over 33,333 gallons)	\$4.48	\$4.70	\$4.94	\$5.18	\$5.44	\$5.72

FY 2027 Bill Impact - Water

	Usage (Gallons)	Meter Size	Bill		FY 2027 Bill Increase	
			FY 2026 Curr	FY 2027 Alt	\$	%
Single Family (150 gpd)						
Residential Quarterly Inside	13,500	5/8	\$43.31	\$38.40	\$(4.90)	-11%
Multi-Family/Commercial (5,000 gpd)						
Non-Residential Quarterly Inside	450,000	1 1/2	\$1,050.50	\$1,418.69	\$368.19	35%
Large Commercial (25,000 gpd)						
Non-Residential Monthly Inside	750,000	4	\$1,716.17	\$2,401.36	\$685.19	40%
Wholesale (200,000 gpd)						
Wholesale Monthly	6,000,000	6	\$27,322.37	\$28,645.97	\$1,323.61	5%

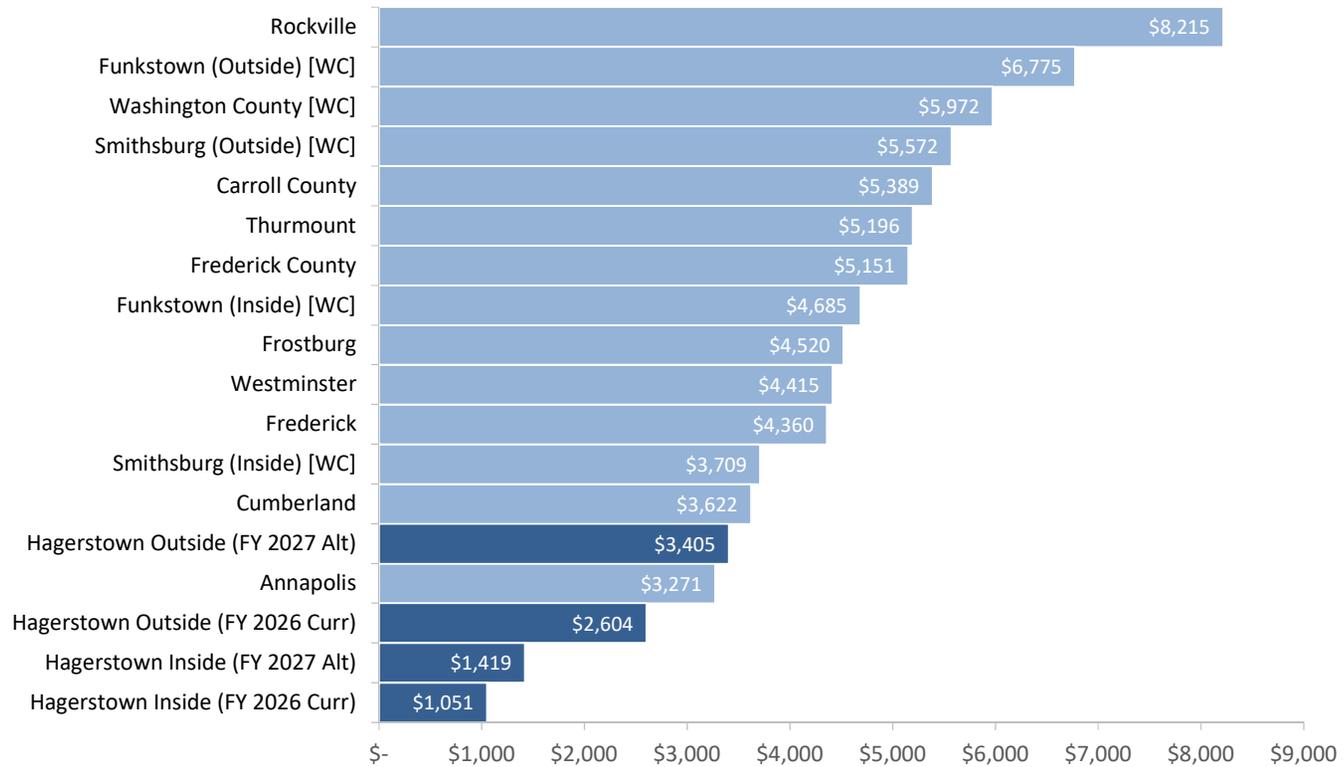
FY 2027 Water Quarterly Bill Comparison (Residential)



Notes:

- Comparison is for smallest meter size and 13,500 gallons of usage
- [WC] = other Washington County municipalities

FY 2027 Water Quarterly Bill Comparison (Non-Residential)



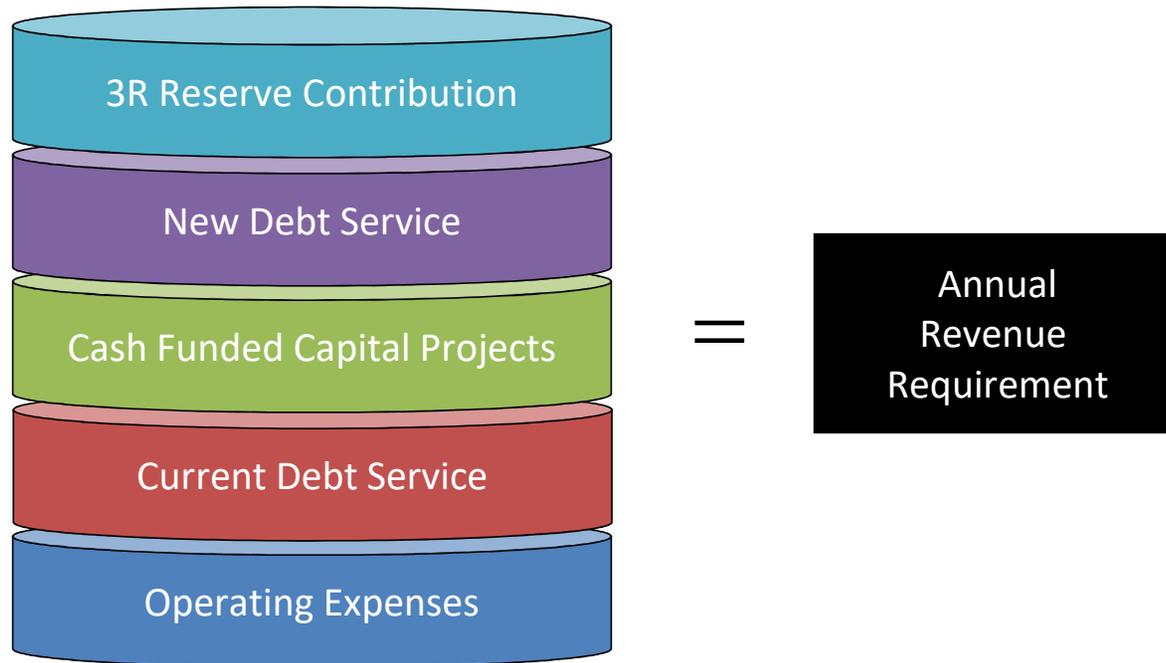
Notes:

- Comparison is for 1.5 inch meter size and 450,000 gallons of usage
- [WC] = other Washington County municipalities

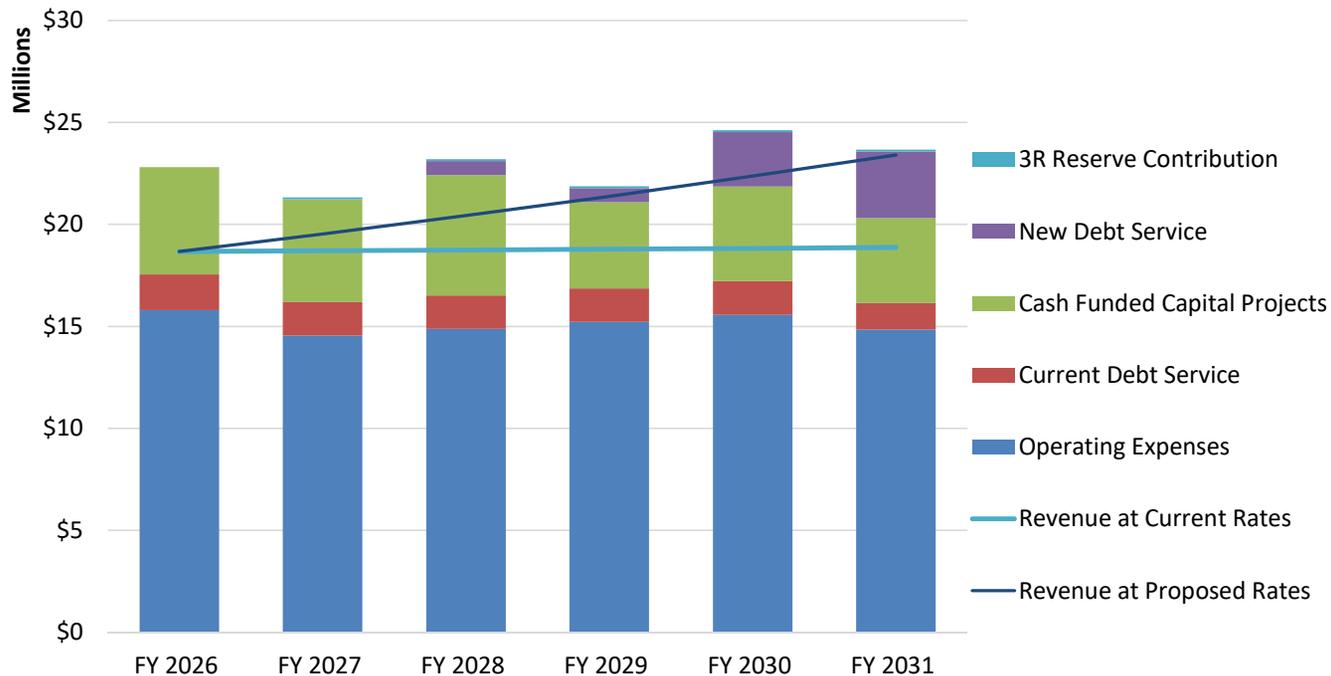
Factors Affecting Charges and Rates

- Operating and maintenance expense changes
 - chemicals expense was escalated by 3.0%
 - health insurance, retirement, and electricity were escalated by 5.0%
 - PILOT and admin overhead expenses were not escalated
 - all other expenses were escalated by 1.5% or 2.0% per year, depending on function
- Capital improvement plans
 - investment in the treatment, distribution, and collection systems
- Debt service
 - existing and future debt
- Customer changes
 - 0.5% increase per year based on historical trend
- Water usage changes
 - 0% usage increase per year based on historical trend
- Miscellaneous revenue changes
 - 1% increase per year
- Reserve targets
 - minimum operating fund balance of 180 days (50%) of operating expenses
 - 3R reserve balance contributions of \$100,000 per year for water

Revenue Requirement

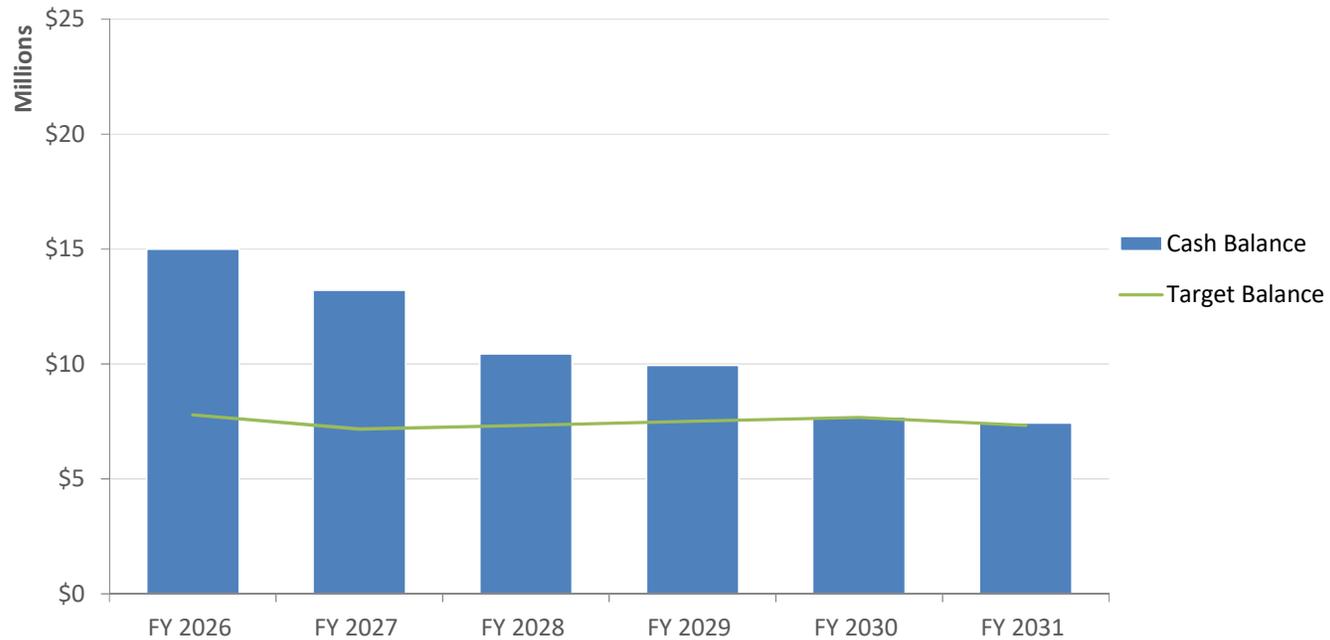


Revenue Requirements vs. Current and Proposed Revenue – Water



Proposed Revenue reflects a 5% annual increase for the 5-year planning period

Operating Fund Balance – Water



The green line represents target equal to operating fund balance of 180 days (50%) of operating expenses



QUESTIONS?