

NewGen Strategies & Solutions

www.newgenstrategies.net



REPORT

WATER RATE STUDY

MAY 3, 2024



Prepared for:
Town of North East
106 South Main Street
P.O. Box 528
North East, MD 21901

© 2024 NEWGEN STRATEGIES AND SOLUTIONS, LLC

This page intentionally left blank

May 3, 2024

Melissa Cook-MacKenzie
Town Administrator
Town of North East
106 South Main Street
P.O. Box 528
North East, MD 21901

Subject: Water Rate Study

Dear Ms. Cook-MacKenzie:

NewGen Strategies and Solutions is pleased to submit to the Town of North East this report summarizing the water rate study. This document presents the results of our analysis of the forecasted costs of providing water service to the Town's customers and our recommendations for recovering these costs over the next five years. The study provides several recommendations to enhance the financial health and stability of the Town's operations while equitably charging its customers for the services provided.

It has been a distinct pleasure to work with the Town. The assistance provided by management and staff was essential to completing this analysis. The dedication of everyone who assisted in the study process should be acknowledged as they were vital to the study's success. Thank you for the opportunity to work with the Town on this critical project.

Sincerely,



Michael Maker
Partner

This page intentionally left blank

TABLE OF CONTENTS

1. BASIS FOR THE STUDY	1
1.1 Objective and Scope.....	1
1.2 Guiding Principles.....	1
1.3 Assumptions.....	1
2. REVENUE REQUIREMENTS	3
2.1 Operating Costs.....	3
2.2 Capital Costs.....	4
2.2.1 Current Debt Service.....	4
2.2.2 Planned Capital Improvement Projects	5
2.2.3 New Debt Service.....	6
2.2.4 Capital Reserve	7
2.3 Shortfalls from Major Facility Fees Cash Flow	7
2.4 Revenue Requirements.....	8
3. CUSTOMERS AND USAGE.....	10
3.1 Customer Account Summary	10
3.2 Usage Summary	10
4. FINANCIAL PLAN AND PROPOSED RATES.....	11
4.1 Current Revenue	11
4.2 Proposed Revenue	11
4.3 Cash Balance	12
4.4 Current Rates	13
4.5 Recommended Water Rates	14
5. CUSTOMER BILL IMPACTS.....	15
5.1 Sample Quarterly Bills.....	15
5.2 Quarterly Bill Comparison.....	15
6. MAJOR FACILITY FEE.....	17
7. CONNECTION FEE	18
8. FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS.....	19
8.1 Findings	19
8.2 Conclusions	19
8.3 Recommendations	21

TABLE OF EXHIBITS

Exhibit 2.1.1 FY 2024 Water Operating Expenses (% of Total)	3
Exhibit 2.1.2 Projected Water Operating Expenses	4
Exhibit 2.2.1 Current Debt Service Payments	5
Exhibit 2.2.2 Planned Water Capital Projects (by Funding Source)	6
Exhibit 2.2.3 Planned Water Capital Projects (by Growth Type)	6
Exhibit 2.2.4 New Water Debt Service Payments	7
Exhibit 2.3.1 Water System Major Facility Fees Cash Flow	8
Exhibit 2.4.1 Water Revenue Requirements	9
Exhibit 4.1.1 Water Revenue Requirements and Current Revenue	11
Exhibit 4.2.1 Water Revenue Requirements, Current Revenue, and Proposed Revenue	12
Exhibit 4.3.1 Water Cash Balance	13
Exhibit 4.4.1 Current Water Charges and Rates	13
Exhibit 4.5.1 Recommended Water Charges and Rates	14
Exhibit 5.1.1 In Town Quarterly Bill Impact	15
Exhibit 5.1.2 Out of Town Quarterly Bill Impact	15
Exhibit 5.2.1 FY 2025 Quarterly In Town Water Bill Comparison (8,000 gallons).....	16
Exhibit 8.1.1 Water Revenue Requirements and Current Revenue	19
Exhibit 8.2.1 Water Revenue Requirements, Current Revenue, and Proposed Revenue	20
Exhibit 8.3.1 Recommended Water Charges and Rates	21

1. BASIS FOR THE STUDY

1.1 Objective and Scope

The objective and scope of services set forth between the Town of North East and NewGen can be grouped into three major tasks:

1. **Revenue Requirements** - Determine the true cost of providing water service by developing comprehensive revenue requirements (i.e., costs) for the water system.
2. **Financial Plan** - Develop a financial plan for the Town to ensure that water rates and charges provide adequate revenues over the projection period.
3. **Charge and Rate Design** - Create a water rate design that appropriately allocates costs among the Town's customers based on the Town's goals and objectives.

The water rate study has been completed based on these tasks and documented in this report.

1.2 Guiding Principles

The following principles were used to guide the rate study and were developed with the assistance of Town staff:

- The water system must be financially self-supporting. The cost of operating and maintaining the system must be solely supported by the water rates and charges collected from customers.
- "Growth pays for growth" - that is, costs related to the expansion of system capacity (i.e., growth-related) should be funded via new/future customers who cause the need for such additional capacity. However, if anticipated growth does not occur as expected, existing customers would have to make up the difference via higher user rates.
- The Town should maintain reserves to provide for contingencies and unplanned expenses and ensure that funds are generated to allow for appropriate future system replacement.
- Water rates and charges should adequately cover the costs of the services and the costs for reinvesting in the facilities, including repair, renewal, and replacement of assets.

1.3 Assumptions

The following high-level assumptions were used to guide the rate study and were developed with the assistance of Town staff:

- Operating and maintenance expenses:
 - 0 to 2.5% escalation rate per year (based on the average growth rate of the CPI-U¹ over the 20-year period from 2003 to 2023)
- Customer changes:
 - 1% growth rate per year
- Usage changes:
 - 1% growth rate per year

¹ CPI-U = Consumer Price Index for All Urban Consumers. While the percent change in the CPI-U averaged 3.6% per year over the five-year period from 2017 to 2022 and was 8.0% from 2021 to 2022, it averaged 2.6% per year over the twenty-year period from 2003 to 2023.

- Miscellaneous revenues:
 - no growth
- Minimum operating fund balance equal to 90 days (25%) of operating expenses
- Minimum capital reserve balance equal to 2% of system value, resulting in a best-practice effective 50-year useful life for assets

Depending on availability, actual Fiscal Year (FY) 2022 or FY 2023 or budgeted FY 2024 data was used as the base upon which forecasted figures were developed. All years within this report refer to the Town's fiscal year (July 1 to June 30). While the financial model built for this study allows for projections on a year-by-year basis for ten years, the charts and tables within this report provide data for a five-year planning period in which rates and charges have been calculated (FY 2025 – FY 2029).

2. REVENUE REQUIREMENTS

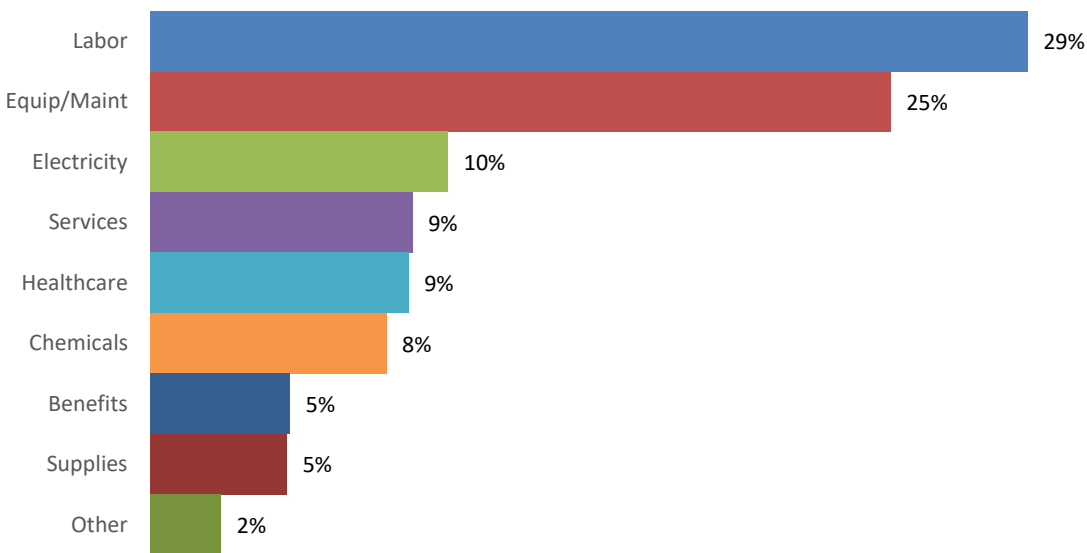
This section of the report outlines the costs of operating and maintaining the Town of North East’s water system. These costs constitute the water system’s revenue requirements (i.e., the amount of revenue required to be collected from customers). The cost analysis is broken into two main categories of costs: (1) operating costs and (2) capital costs (including debt and cash funding). This section describes each category of costs incurred by the Town as it provides water service. The costs are based on official documents and data provided by the Town.

2.1 Operating Costs

The day-to-day operating and maintenance (O&M) expenses of the water system have been grouped into several categories based on expense type.

Budgeted FY 2024 water expenses total approximately \$2.94 million. Exhibit 2.1.1 provides a breakdown of budgeted FY 2024 expenses by category, sorted by percentage of total expenses.

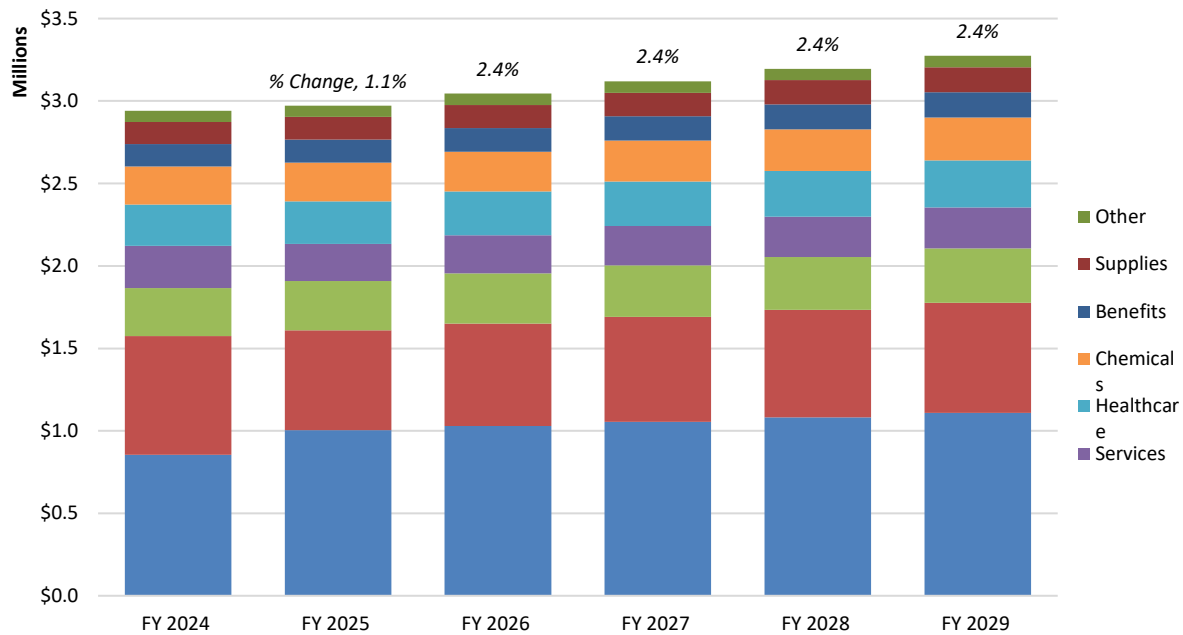
Exhibit 2.1.1 FY 2024 Water Operating Expenses (% of Total)



To project operating expenses, the majority of FY 2024 water expense line items were increased using a 2.5% escalation rate (i.e., inflation), while expenses in the “Other” category were not increased.

Exhibit 2.1.2 shows water O&M estimated expenses for the base year and the five-year planning period (with percent change from the previous year).

Exhibit 2.1.2 Projected Water Operating Expenses



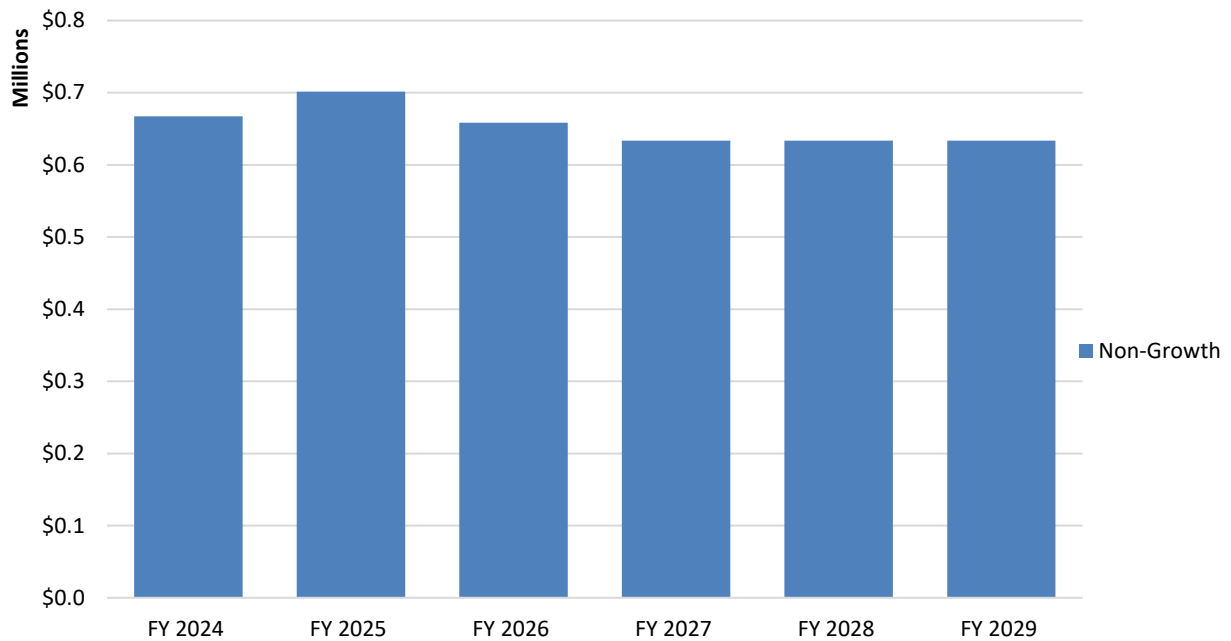
2.2 Capital Costs

The annualized capital costs related to providing water service are generally comprised of current debt service and any anticipated capital projects, which may be funded via the issuance of debt (typically bonds, loans, or similar financial instruments) or funded from cash (either reserves on hand or cash derived from operations, referred to as “PAY-GO” or “pay as you go”).

2.2.1 Current Debt Service

The Town occasionally takes out loans to fund capital projects to mitigate the financial burden on customers and the Town's available fund balance by spreading the costs of long-lived assets over several years. Debt issuances are designated as either being growth-related (paid via major facility fees by new customers) or non-growth related (paid via user rates by existing customers). All current debt service is non-growth. Exhibit 2.2.1 provides a breakdown of the Town's current principal and interest payments for the base year and five-year planning period.

Exhibit 2.2.1 Current Debt Service Payments



2.2.2 Planned Capital Improvement Projects

The Town's capital improvement program (CIP) includes six planned water projects totaling an estimated \$8.91 million over the five-year period from FY 2025 to FY 2029. Projects are designated as either being growth-related (paid via major facility fees by new customers) or non-growth related (paid via user rates by existing customers). Projects are funded with cash, reserves, loans, or grants.

Exhibit 2.2.2 and Exhibit 2.2.3 provide a breakdown of water capital spending for the base year and five-year planning period by funding source and growth type, respectively. For the five-year period from FY 2025 to FY 2029, 92% of water projects are anticipated to be debt funded, with the remaining 8% being funded by grants.

Exhibit 2.2.2 Planned Water Capital Projects (by Funding Source)

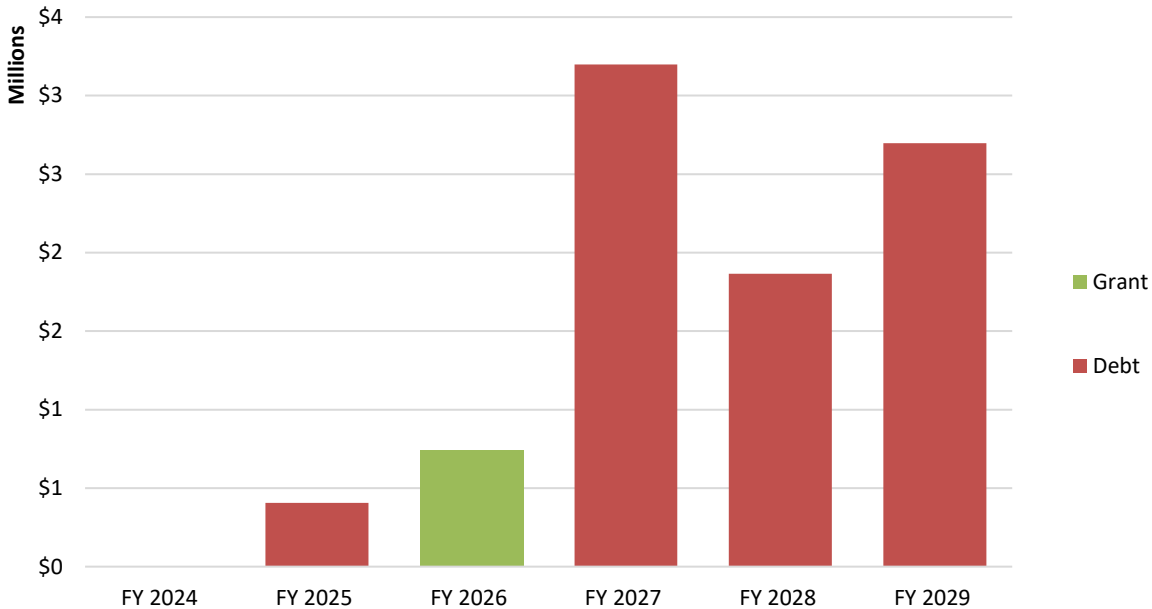
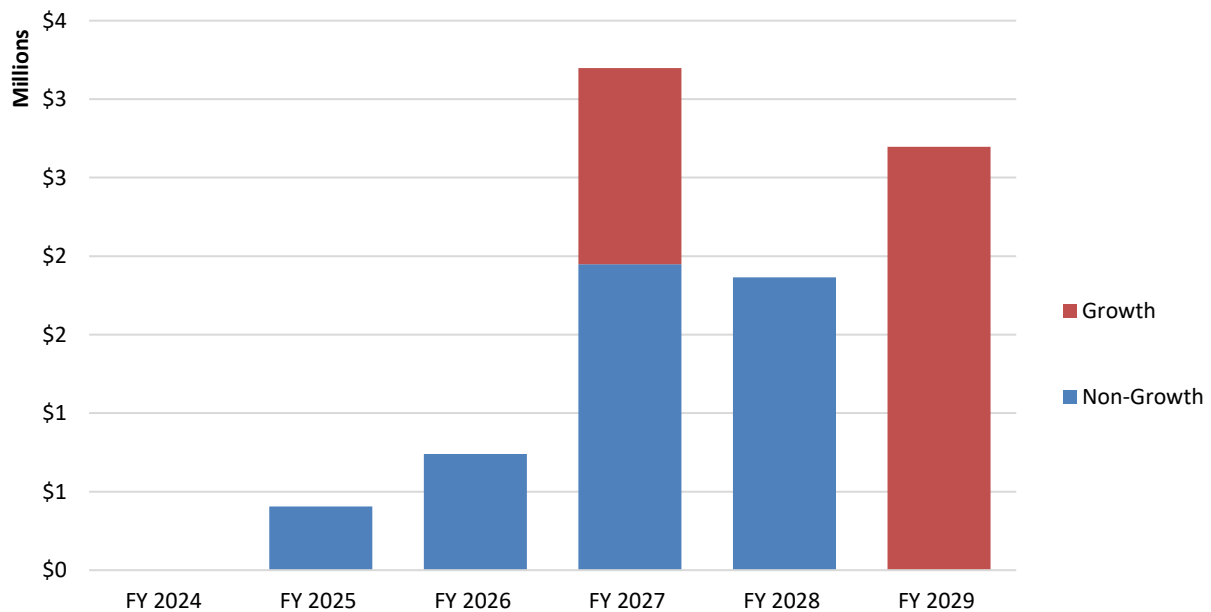


Exhibit 2.2.3 Planned Water Capital Projects (by Growth Type)

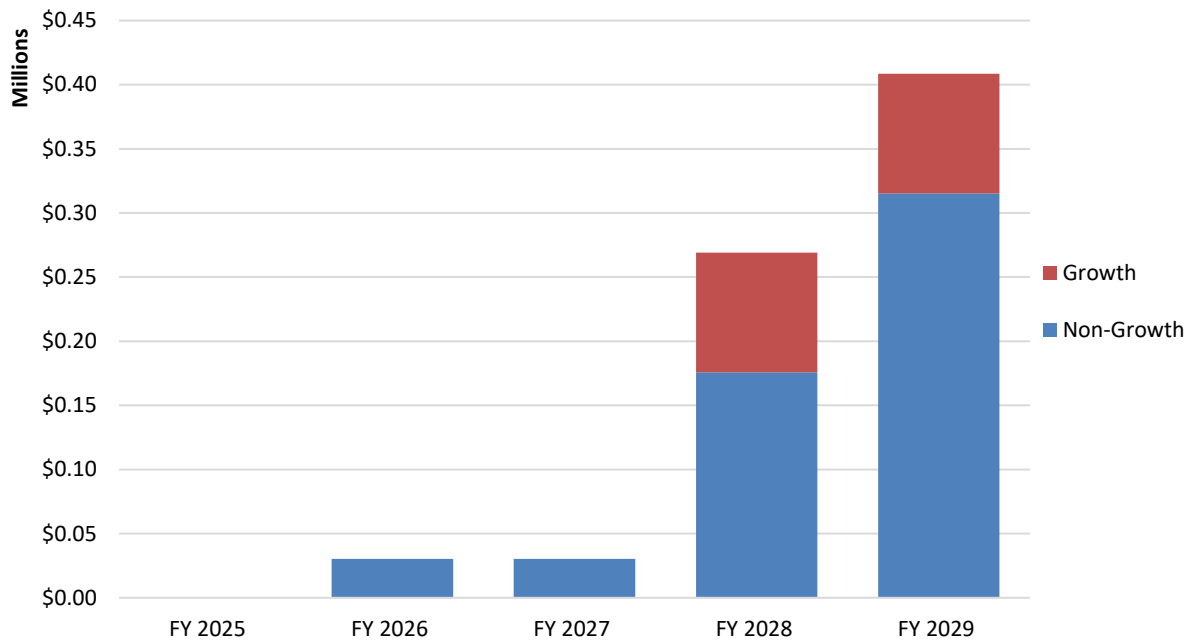


2.2.3 New Debt Service

As the majority of capital projects are anticipated to be debt funded over the next five years, we have calculated the principal and interest payments for these debt issuances. The debt issuances are assumed to have an interest rate of 4.0%, maturity of 20 years, and issuance expense of 1.5%, with payments starting the year after issuance.

Exhibit 2.2.4 provides a breakdown of new debt payments for the five-year planning period (FY 2025 to FY 2029).

Exhibit 2.2.4 New Water Debt Service Payments



2.2.4 Capital Reserve

We typically recommend that a municipal utility establish a capital reserve for the water system to provide funds to pay for unexpected major repairs and planned replacement or rehabilitation of system assets. These reserves can be used to pay for capital costs in order to avoid or minimize the amount that would otherwise be recovered through user fees (and possibly result in a significant rate increase). Typically, the annual reserve balance is calculated based either on the estimated useful life of each asset or as a percentage of total assets. We recommend a balance equal to 2% of the original cost of system assets. Given the adverse impact of establishing the water reserve in one year, we recommend starting in FY 2025 at 0.2% (\$82,000) and gradually increasing the reserve balances by 0.2% each year until reaching the recommended 2.0% balances in FY 2034.

2.3 Shortfalls from Major Facility Fees Cash Flow

As mentioned earlier in the report, if anticipated growth does not occur as expected, existing customers would have to make up the difference (of growth-related expenses that exceed growth related revenues) via higher user rates. For this reason, the cash flows from major facility fees must be examined before the total revenue requirements of existing customers can be summarized.

The projected cash flows from major facility fees for the water fund are shown in 0.

Exhibit 2.3.1 Water System Major Facility Fees Cash Flow

(\$, millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Major Facility Fees Revenue	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Expenses						
Current Debt Service	-	-	-	-	-	-
Cash Funded Capital Projects	-	-	-	-	-	-
New Debt Service	-	-	-	-	\$0.1	\$0.1
Total Expenses	-	-	-	-	\$0.1	\$0.1
Surplus / (Shortfall)	\$0.2	\$0.2	\$0.2	\$0.2	\$0.1	\$0.1
Beginning Cash Balance	\$0.4	\$0.7	\$0.9	\$1.1	\$1.3	\$1.4
Surplus / (Shortfall)	\$0.2	\$0.2	\$0.2	\$0.2	\$0.1	\$0.1
Ending Major Facility Fees Cash Balance	\$0.7	\$0.9	\$1.1	\$1.3	\$1.4	\$1.5
Shortfall to be made up by Water Rates	-	-	-	-	-	-

As can be seen in Exhibit 2.3.1, there is no shortfall in the major facility fees cash balance that needs to be recovered from water rates.

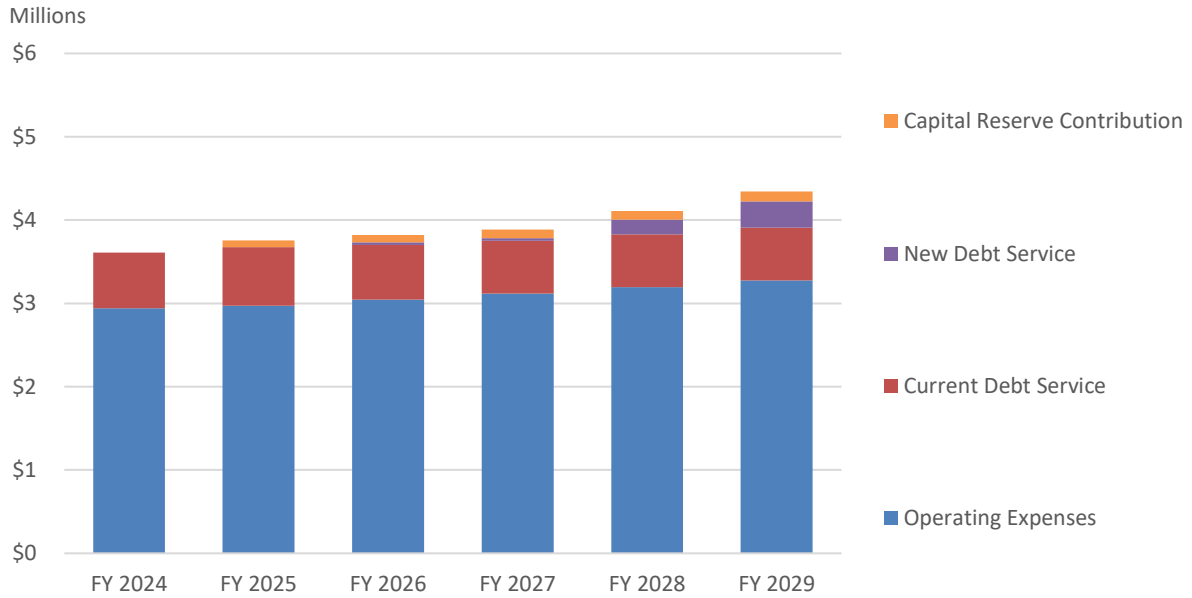
2.4 Revenue Requirements

The total annual cost of operating the Town's water system (the gross revenue requirements) includes operating and maintenance expenses, as well as current and future capital costs. The total of these costs, less any miscellaneous revenues, is the amount that needs to be recovered from user rates (referred to as the net revenue requirement).

Miscellaneous revenues for the Town include connection fees, interest, penalties, other ancillary fees and revenues. Adjustments to miscellaneous revenues are conservatively anticipated to be minimal. Therefore, no growth in miscellaneous revenue was incorporated into the analysis.

Exhibit 2.4.1 shows the revenue requirements for the base year and five-year planning period for water.

Exhibit 2.4.1 Water Revenue Requirements



3. CUSTOMERS AND USAGE

This section provides a summary of water customers and usage.

3.1 Customer Account Summary

The Town serves both In Town and Out of Town customers and bills all customers quarterly. Customers are charged per equivalent residential unit (ERU), which is the potential maximum water demand a residential unit may place on the system (developed by the Town for planning purposes to account for peaking of the water system and fire flow demands). The base ERU is equal to 250 gallons per day (GPD). The Town's estimated FY 2024 water customer base includes just under 1,860 In Town accounts (equating to 9,500 annual equivalent bills) and 1,680 Out of Town accounts (equating to 8,400 annual equivalent bills). The Town anticipates customers will grow 1% per year over the planning period. The Town also projects that in FY 2025, it will annex several County properties (equating to about 600 annual equivalent bills), which would shift those customers from Out of Town to In Town customers.

3.2 Usage Summary

The Town's FY 2024 total metered water usage is estimated to be 97.1 million gallons for In Town customers and 93.2 million gallons for Out of Town customers. Similar to the water customer base, water usage is projected to grow 1% per year over the planning period. Due to the anticipated annexation in FY 2025, 9.0 million gallons of usage is expected to be shifted from Out of Town to In Town classification.

4. FINANCIAL PLAN AND PROPOSED RATES

4.1 Current Revenue

In Section 2, the projected costs (revenue requirements) of the water system were presented, and in Section 3, projected water customers and usage was presented. In this section, those projections are used to determine an appropriate financial plan and set water rates for the next five years.

The adequacy of revenues from current rates was evaluated to determine if existing rates are sufficient to recover the revenue requirements. Exhibit 4.1.1 compares the revenue requirements with total current revenue projections for the base year and the five-year planning period.

Exhibit 4.1.1 Water Revenue Requirements and Current Revenue

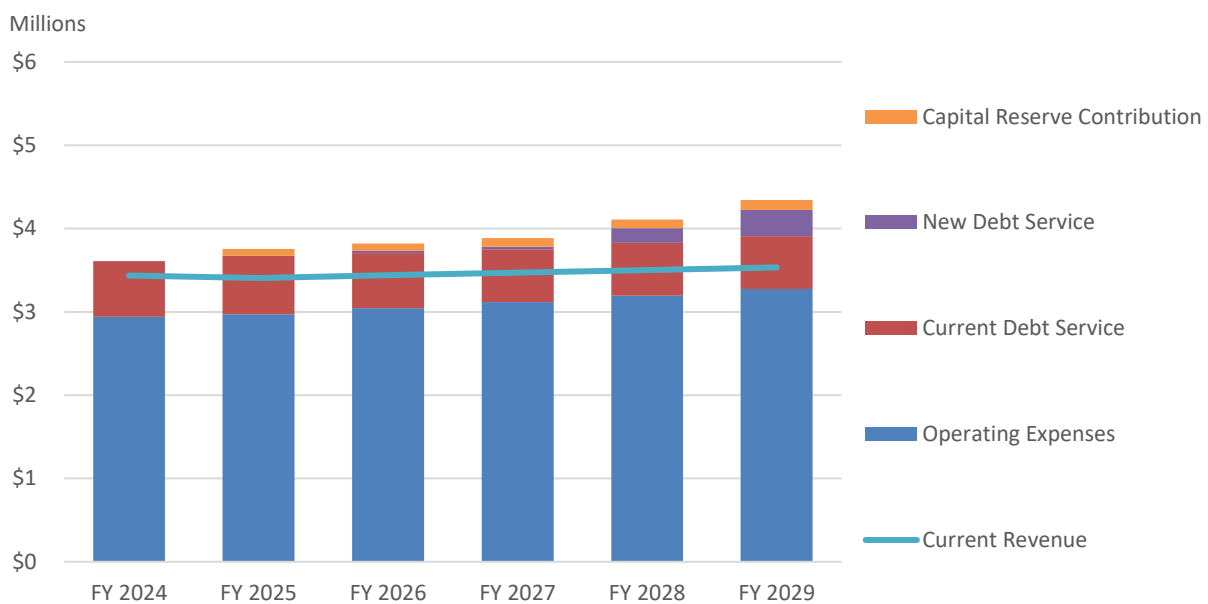


Exhibit 4.1.1 demonstrates that revenue collected at current rates is insufficient to cover the revenue requirements for FY 2024 through FY 2029. If left in place, current water rates would not generate sufficient revenue to fund the costs of the systems.

4.2 Proposed Revenue

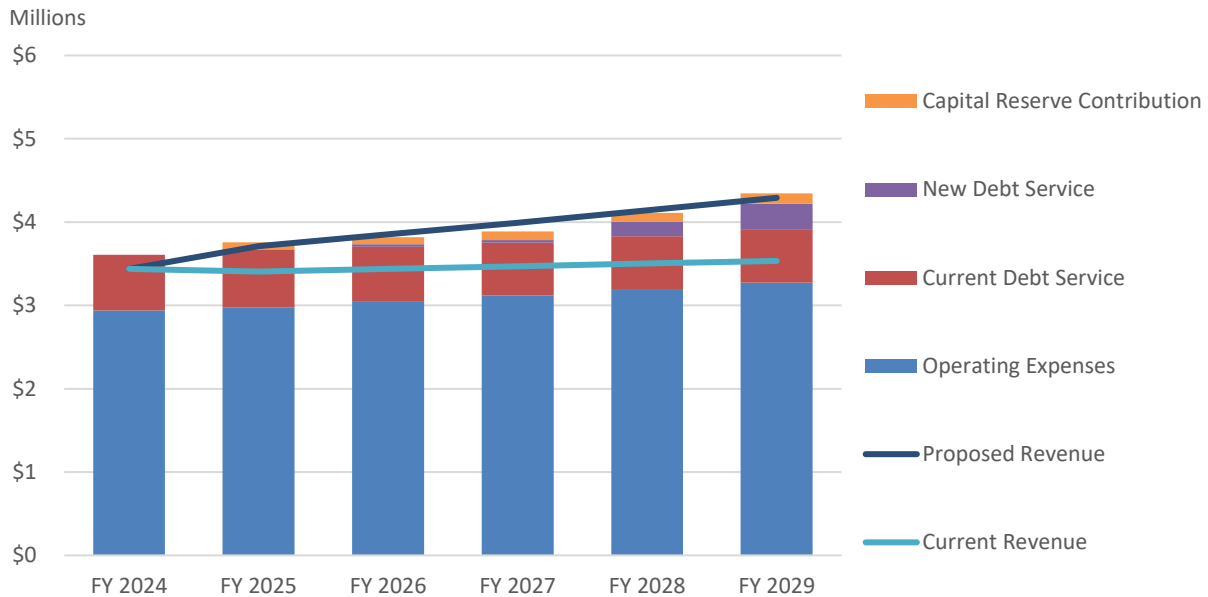
To maintain the financial health of the Town's water operations over the five-year planning period, revenue needs to be increased. In addition to covering the revenue requirements, revenue must also be sufficient to satisfy an operating cash balance equal to or greater than 90 days (i.e., 25%) of operating expenses.

To address these shortfalls, we propose using multi-year rate adjustments. A multi-year approach will help mitigate rate increases over the planning period and alleviate some of the financial burden on the Town's customers. Additionally, this approach will allow for proper planning and adjustment by customers and the Town.

Exhibit 4.2.1 compares the revenue requirements with total current revenue projections and total proposed revenue projections for the base year and the five-year planning period.

Within the exhibit, “Current Revenue” and “Proposed Revenue” reflect the sum of rate revenue and miscellaneous revenue. While “Current Revenue” reflects rate revenue calculated using projected customer and usage growth at the current rates, “Proposed Revenue” reflects rate revenue calculated using projected customer and usage growth at the recommended rates. “Proposed Revenue” reflects a 10% increase in FY 2025 and a 3% increase each year thereafter.

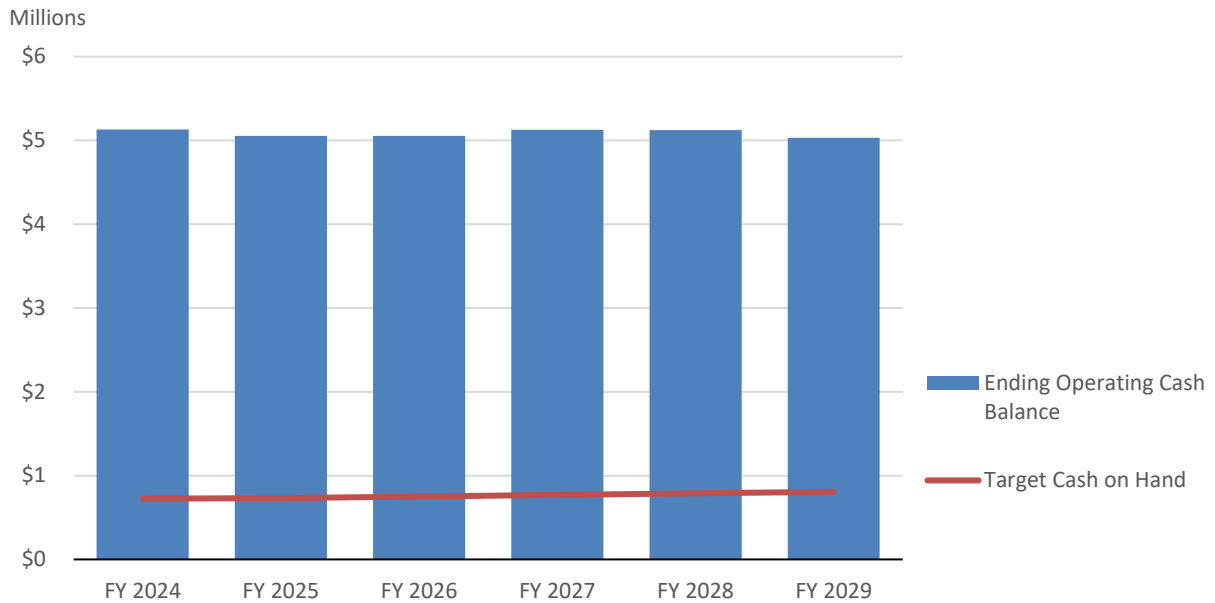
Exhibit 4.2.1 Water Revenue Requirements, Current Revenue, and Proposed Revenue



4.3 Cash Balance

Exhibit 4.3.1 shows the operating balance and operating cash on hand target, equal to 90 days (25%) of operating expenses for the base year and five-year planning period. The rate increases discussed in the previous section were set so that both the current cash balance was maintained each year and the 90 day cash on hand target was met or exceeded.

Exhibit 4.3.1 Water Cash Balance



4.4 Current Rates

Water charges and rates vary for In Town and Out of Town customers. The rate structure consists of a quarterly minimum service charge (which includes 5,000 gallons of usage) and a unit rate per 1,000 gallons for usage over the 5,000-gallon minimum. There is also a quarterly ready to serve charge, but it is only charged to properties that have yet to connect to the water system.

Exhibit 4.4.1 shows the current charges and rates for water.

Exhibit 4.4.1 Current Water Charges and Rates

	Current
Quarterly Minimum Service Charge*	
In Town	\$50.50
Out of Town	\$101.00
Above Minimum Rate (per 1,000 gallons)	
In Town	\$10.10
Out of Town	\$20.20
Quarterly Ready to Serve Charge**	
In Town	\$25.25
Out of Town	\$50.50

*Includes usage of 5,000 gallons

**paid before water connection is established

4.5 Recommended Water Rates

Exhibit 4.5.1 shows the recommended charges and rates for water.

Exhibit 4.5.1 Recommended Water Charges and Rates

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Quarterly Minimum Service Charge*						
In Town	\$50.50	\$55.60	\$57.30	\$59.00	\$60.80	\$62.60
Out of Town	\$101.00	\$111.20	\$114.60	\$118.00	\$121.60	\$125.20
Above Minimum Rate (per 1,000 gallons)						
In Town	\$10.10	\$11.12	\$11.46	\$11.80	\$12.16	\$12.52
Out of Town	\$20.20	\$22.24	\$22.92	\$23.60	\$24.32	\$25.04
Quarterly Ready to Serve Charge**						
In Town	\$25.25	\$27.80	\$28.65	\$29.50	\$30.40	\$31.30
Out of Town	\$50.50	\$55.60	\$57.30	\$59.00	\$60.80	\$62.60

*Includes usage of 5,000 gallons

**paid before water connection is established

5. CUSTOMER BILL IMPACTS

5.1 Sample Quarterly Bills

Exhibit 5.1.1 demonstrates the quarterly bill impact of the recommended water rates for three typical In Town residential customers: a small user with quarterly usage of 5,000 gallons, a median user with usage of 8,000 gallons, and a large user with usage of 12,000 gallons. Exhibit 5.1.2 provides the same comparison for Out of Town customers. The annual bill increase (in dollars and percentage) is also shown for the median user (8,000 gallons) in each exhibit.

Exhibit 5.1.1 In Town Quarterly Bill Impact

Customer	Usage (gallons)	Quarterly Bill					
		Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Small User	5,000	\$50.50	\$55.60	\$57.30	\$59.00	\$60.80	\$62.60
Median User	8,000	\$80.80	\$88.96	\$91.68	\$94.40	\$97.28	\$100.16
Large User	12,000	\$121.20	\$133.44	\$137.52	\$141.60	\$145.92	\$150.24
Median User (\$ Inc)	8,000		\$8.16	\$2.72	\$2.72	\$2.88	\$2.88
Median User (% Inc)	8,000		10%	3%	3%	3%	3%

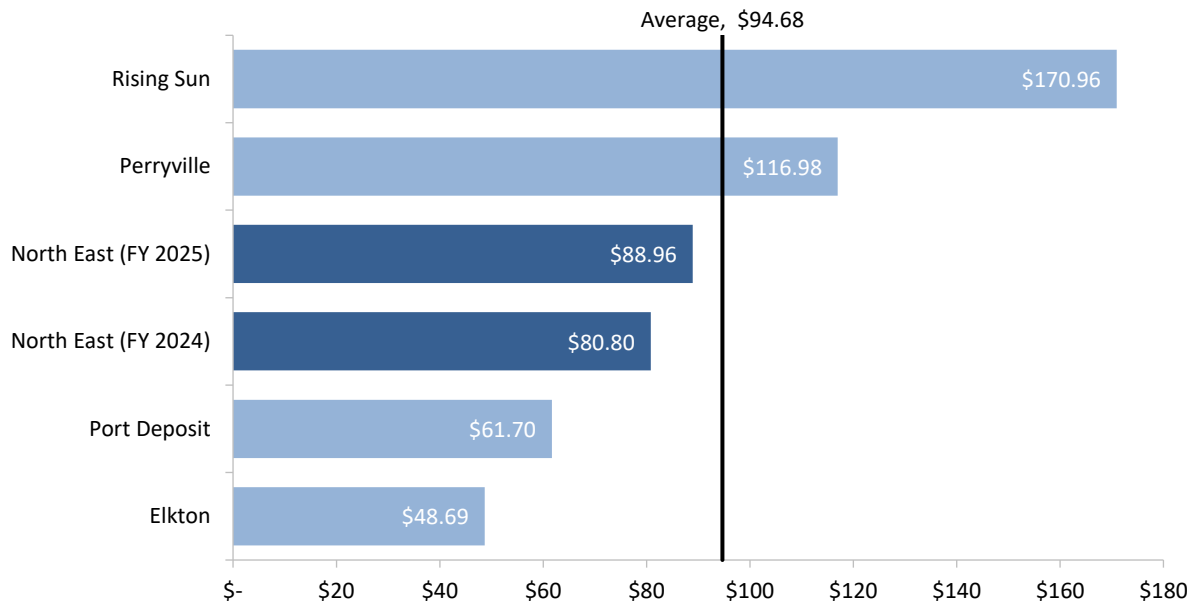
Exhibit 5.1.2 Out of Town Quarterly Bill Impact

Customer	Usage (gallons)	Quarterly Bill					
		Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Small User	5,000	\$101.00	\$111.20	\$114.60	\$118.00	\$121.60	\$125.20
Median User	8,000	\$161.60	\$177.92	\$183.36	\$188.80	\$194.56	\$200.32
Large User	12,000	\$242.40	\$266.88	\$275.04	\$283.20	\$291.84	\$300.48
Median User (\$ Inc)	8,000		\$16.32	\$5.44	\$5.44	\$5.76	\$5.76
Median User (% Inc)	8,000		10%	3%	3%	3%	3%

5.2 Quarterly Bill Comparison

It can be helpful to the Town to compare sample bills of various utilities to a bill calculated using the Town's current and recommended rates. Exhibit 5.2.1 compares an FY 2025 quarterly In Town water bill for a residential customer with usage of 8,000 gallons with other municipalities within Cecil County. It is important to note that the sample bills for the other utilities are calculated using current rates and do not reflect potential increases that may not be currently available at this time.

Exhibit 5.2.1 FY 2025 Quarterly In Town Water Bill Comparison (8,000 gallons)



6. MAJOR FACILITY FEE

The Town currently collects a major facility fee from new customers connecting to the water system. A major facility fee is a growth-related fee intended to recover the capital costs of backbone capacity in the water system (i.e., treatment facilities, storage tanks, interceptors, pumping stations, and other major infrastructure) needed to provide service to new customers.

While there are a variety of methods for calculating growth-related fees to serve new customers, most methods of calculating these fees fall into three broad categories:

- *System Buy-In Method:* Also referred to as the equity method, it reflects the cost of buying into the current system, or the average equity of existing customers. It represents the historical costs of the system and its assets. This calculation is often used in a utility that has sufficient capacity to serve both current and new customers and does not plan on any significant system facilities investments in the near future.
- *Incremental Method:* This approach estimates the incremental cost of adding capacity to serve new customers. It assigns the cost of expansion to future customers, ensuring "growth pays for growth" and mitigating the financial impact on current users of the system.
- *Hybrid Method:* This method is a hybrid of the system buy-in and incremental methods. The calculation involves a weighted average, as opposed to a summation, of the historical cost of the system plus the known growth costs of the utility's capital improvement program.

The current fee is \$3,500 per ERU (equivalent residential unit, described further in Section 3.1). Based on the capacity of the Town's water system, replacement cost of the asset base, and projected capital expenses, we recommend adopting a major facility fee of \$4,100.

7. CONNECTION FEE

While the Town charges a major facility fee (described in Section 6) to recover the capital costs of backbone capacity in the water system needed to provide service to new customers, it charges a connection fee to physically connect a customer to the water system. This fee includes the cost of the materials (i.e., meter, meter transceiver unit, etc.), use of equipment, and the labor required to install and inspect the physical connection, as well as customer account setup activities.

The current fee is \$2,525 per ERU. Based on the current cost to connect a customer to the water system (labor, materials, and equipment), we recommend adopting a connection fee of \$2,820.

8. FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

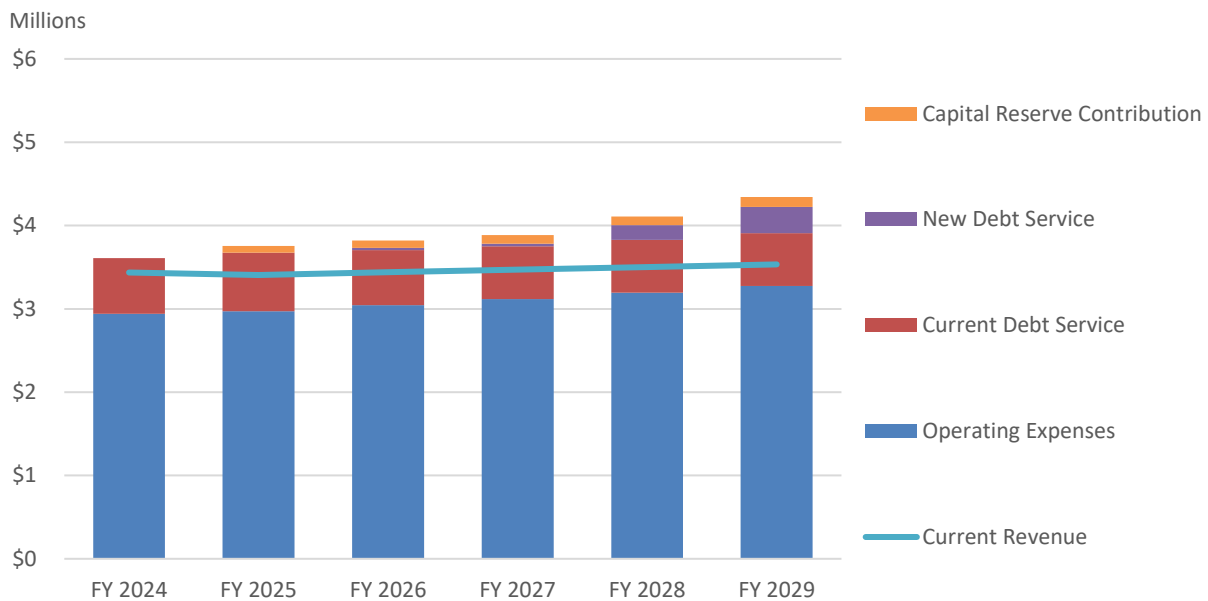
The following findings, conclusions, and recommendations were developed during the study.

8.1 Findings

The following findings were developed during the study:

- Revenue collected at current rates is insufficient to cover the water revenue requirements for FY 2024 through FY 2029. As shown in the exhibit below, current water rates, if left in place, would not generate sufficient revenue to fund the revenue requirements over the five-year planning period.

Exhibit 8.1.1 Water Revenue Requirements and Current Revenue



- The Town currently charges a major facility fee (calculated per ERU) to offset the cost of providing water infrastructure to serve new customers.
- The Town currently charges a connection fee (calculated per ERU) to recover the costs associated with physically connecting a property to the water system.
- The Town does not have a formal operating or capital fund balance policy.

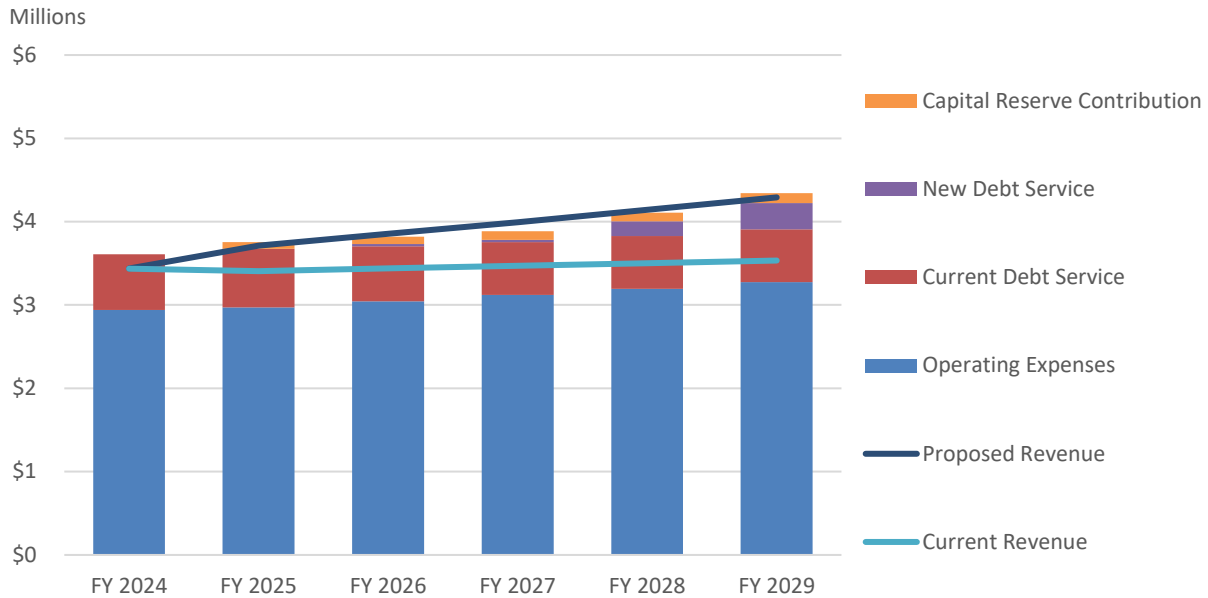
8.2 Conclusions

Based on our findings, the following conclusions were drawn:

- The Town needs to increase water rates over the five-year planning period to keep revenues in line with expenses, fund the required operating and capital costs identified, and maintain cash balance targets.
- The Town should implement required rate increases through a multi-year financial plan, as depicted by the “Proposed Revenue” line in the exhibits below. This will allow the Town to smooth

rate increases over the planning period (as shown by the revenue at proposed rates in the exhibits below) and mitigate customer rate shock while meeting its days cash on hand target.

Exhibit 8.2.1 Water Revenue Requirements, Current Revenue, and Proposed Revenue



- Based on the capacity of the Town's water system, replacement cost of the asset base, and projected capital expenses, the current major facility fee should be increased.
- Based on the cost to physically connect a customer to the water system (labor, materials, and equipment), the current connection fee should be increased.
- The Town should establish operating and capital fund balance policies to stabilize rate increases in years with lower than anticipated revenues and fund unexpected repairs to infrastructure.

8.3 Recommendations

Based on our conclusions, the following recommendations were made:

- Adopt the following recommended charges and rates for the next five years.

Exhibit 8.3.1 Recommended Water Charges and Rates

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Quarterly Minimum Service Charge*						
In Town	\$50.50	\$55.60	\$57.30	\$59.00	\$60.80	\$62.60
Out of Town	\$101.00	\$111.20	\$114.60	\$118.00	\$121.60	\$125.20
Above Minimum Rate (per 1,000 gallons)						
In Town	\$10.10	\$11.12	\$11.46	\$11.80	\$12.16	\$12.52
Out of Town	\$20.20	\$22.24	\$22.92	\$23.60	\$24.32	\$25.04
Quarterly Ready to Serve Charge**						
In Town	\$25.25	\$27.80	\$28.65	\$29.50	\$30.40	\$31.30
Out of Town	\$50.50	\$55.60	\$57.30	\$59.00	\$60.80	\$62.60

*Includes usage of 5,000 gallons

**paid before water connection is established

- Based on the capacity of the Town's water system, replacement cost of the asset base, and projected capital expenses, adopt a major facility fee of \$4,100.
- Based on the current cost to connect a customer to the water system (labor, materials, and equipment), adopt a connection fee of \$2,820.
- Establish an operating balance policy with a minimum balance equal to 90 days (25%) of operating expenses and a capital reserve policy with a minimum balance equal to 2% of system value.
- Review charges and rates on an annual basis and revise as needed. Consider a full cost of service study for all charges and rates every four to five years. While it is recommended that charges and rates be adopted for five years so they do not have to be revisited and voted on every year by the Town Board, it is financially prudent to review expenses and revenues annually to ensure actual values are relatively in line with those projected.



THANK YOU!



900 Bestgate Road, Suite 402, Annapolis, MD 21401
Phone: (443) 951-0355
Email: mmaker@newgenstrategies.net
www.newgenstrategies.net