



August 21, 2023 | Town of Narragansett | Water and Sewer Rate Study

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## Presentation: Rate Study Findings



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Water Practice



# Guiding Principles and Objective

- The water and sewer enterprise funds should be financially self-supporting
- The utilities should maintain reserves to provide for contingencies and unplanned expenses
- Water and sewer rates should be kept as low as possible *over time*

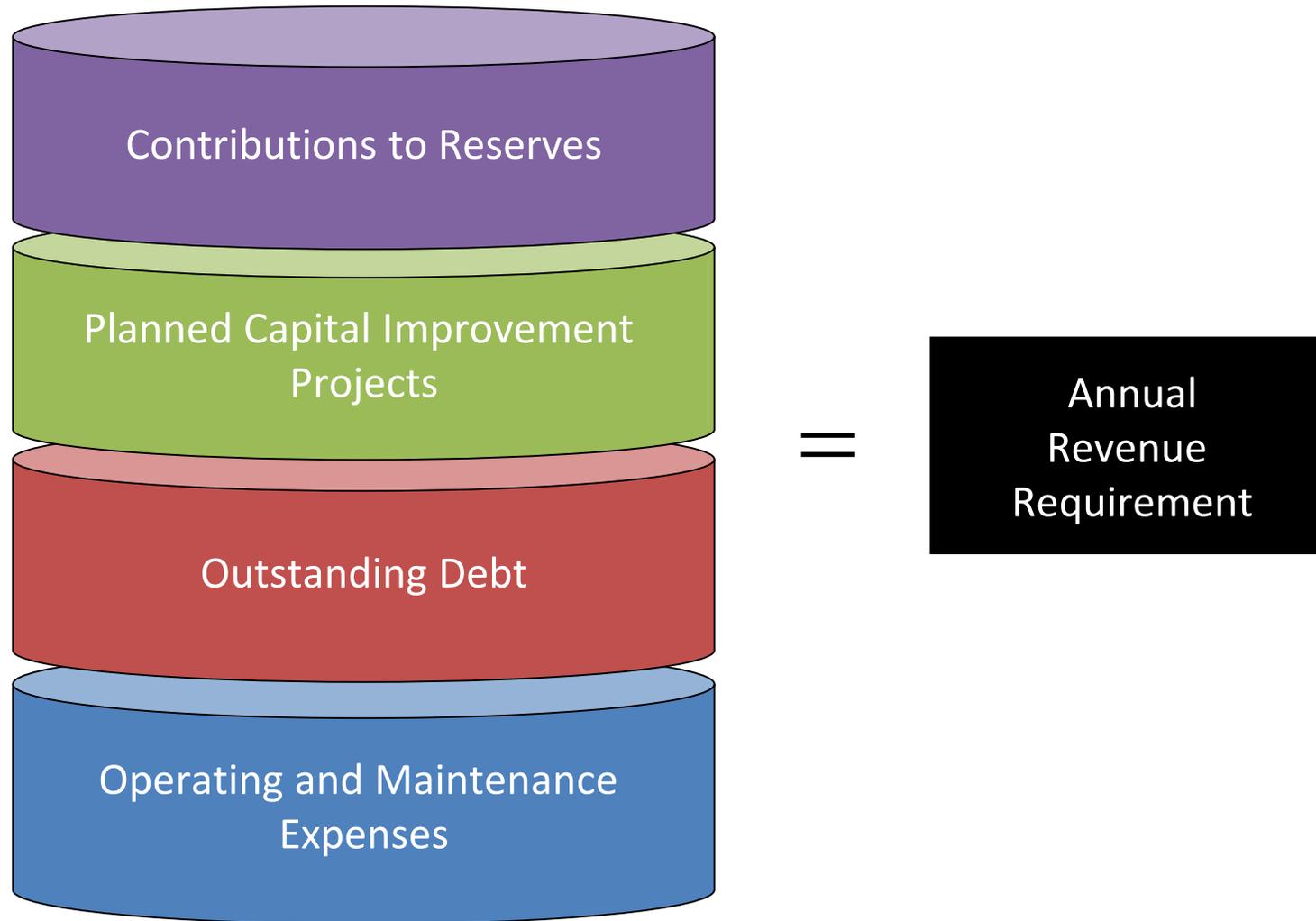
***Objective: Ensure rates are stable through sound financial management and system maintenance***

- ✓ Review water and sewer funds to maintain financial stability
- ✓ Prepare long-term financial plan that includes capital investments required for a sustainable system

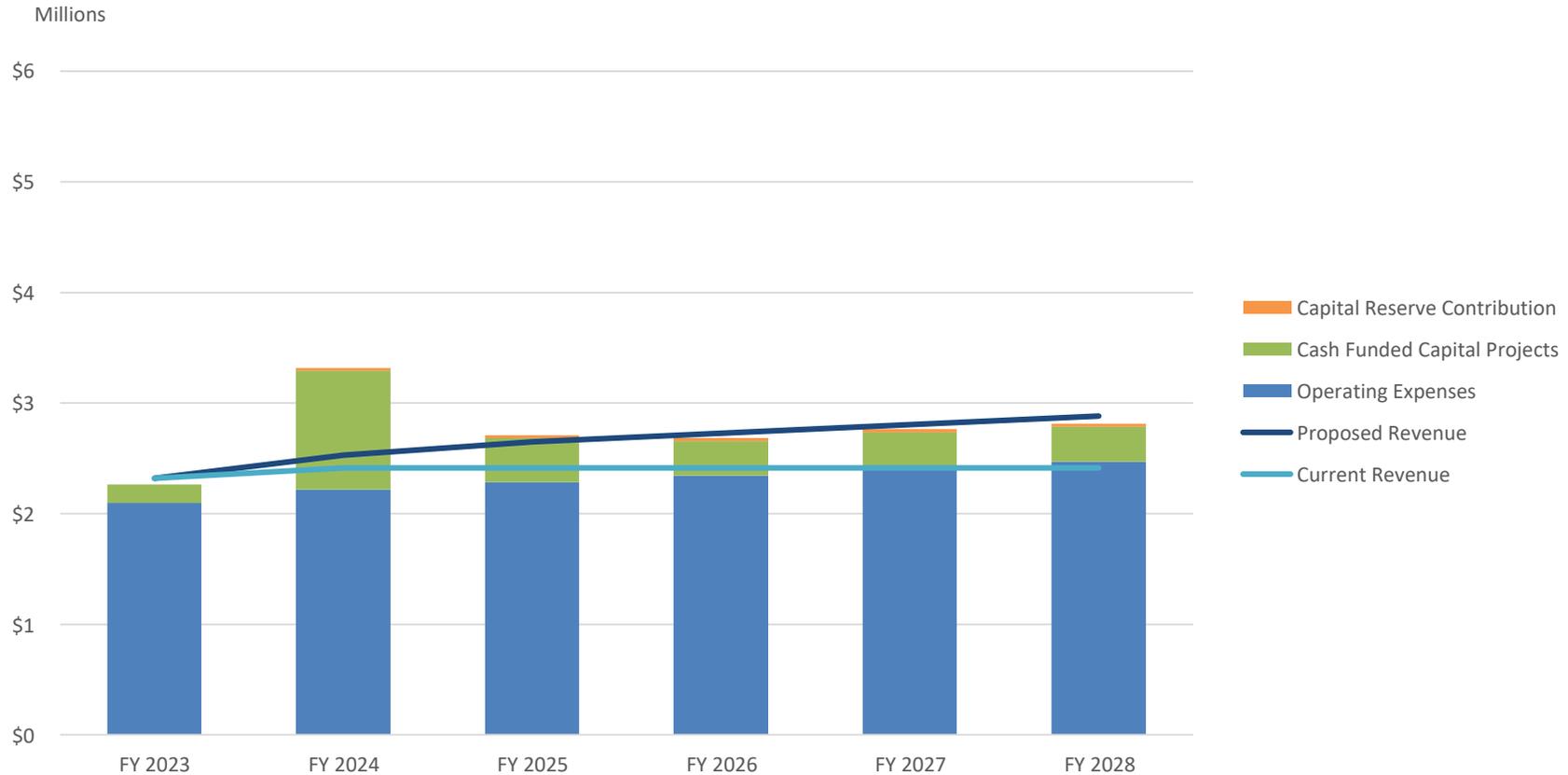
# Factors Affecting Charges and Rates

- Operating and maintenance expense changes
  - purchase of water expenses based on estimates from Veolia and North Kingstown (3-4% escalation rate per year)
  - regional plant sewage treatment expense based on estimates from South Kingstown (2.5% escalation rate per year)
  - 2.5% escalation rate per year for other expenses
- Capital improvement plans
  - investment in the treatment, distribution, and collection systems
- Debt service
  - existing and future debt
- Customer changes
  - no growth over the forecast period
- Water usage and sewage generation changes
  - no growth over the forecast period
- Miscellaneous revenue changes
  - no growth over the forecast period, assessment revenues dropping as they are paid off
- Reserve targets
  - minimum operating fund balance of 90 days (25%) of operating expenses
  - minimum capital reserve balance equal to 2% (50-year useful life) of system value

# Revenue Requirement

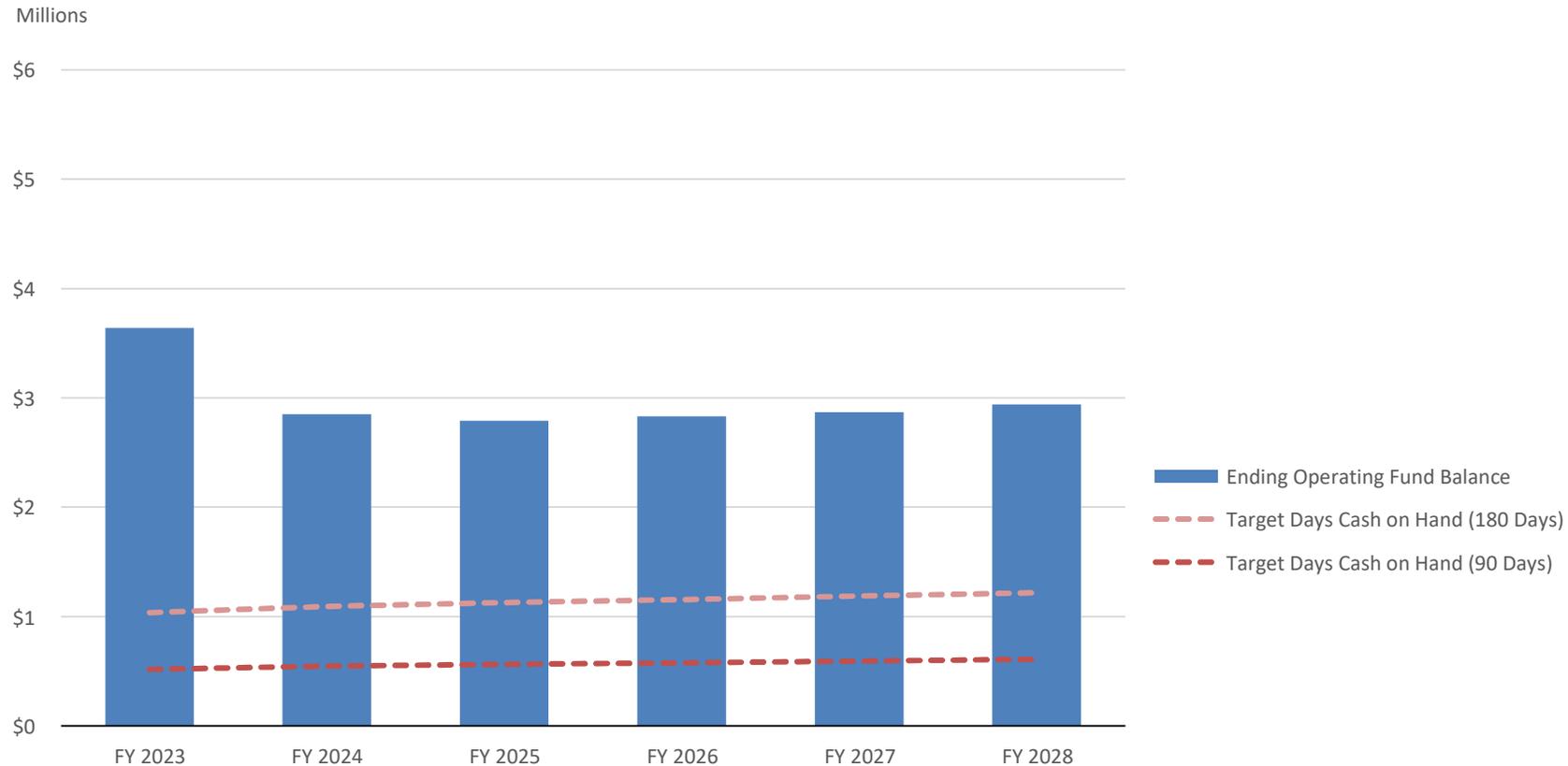


# Revenue Requirements vs. Current and Proposed Revenue – Water



*Proposed Revenue reflects a 5% increase in FY 2024 and FY 2025 and a 3% increase each year thereafter*

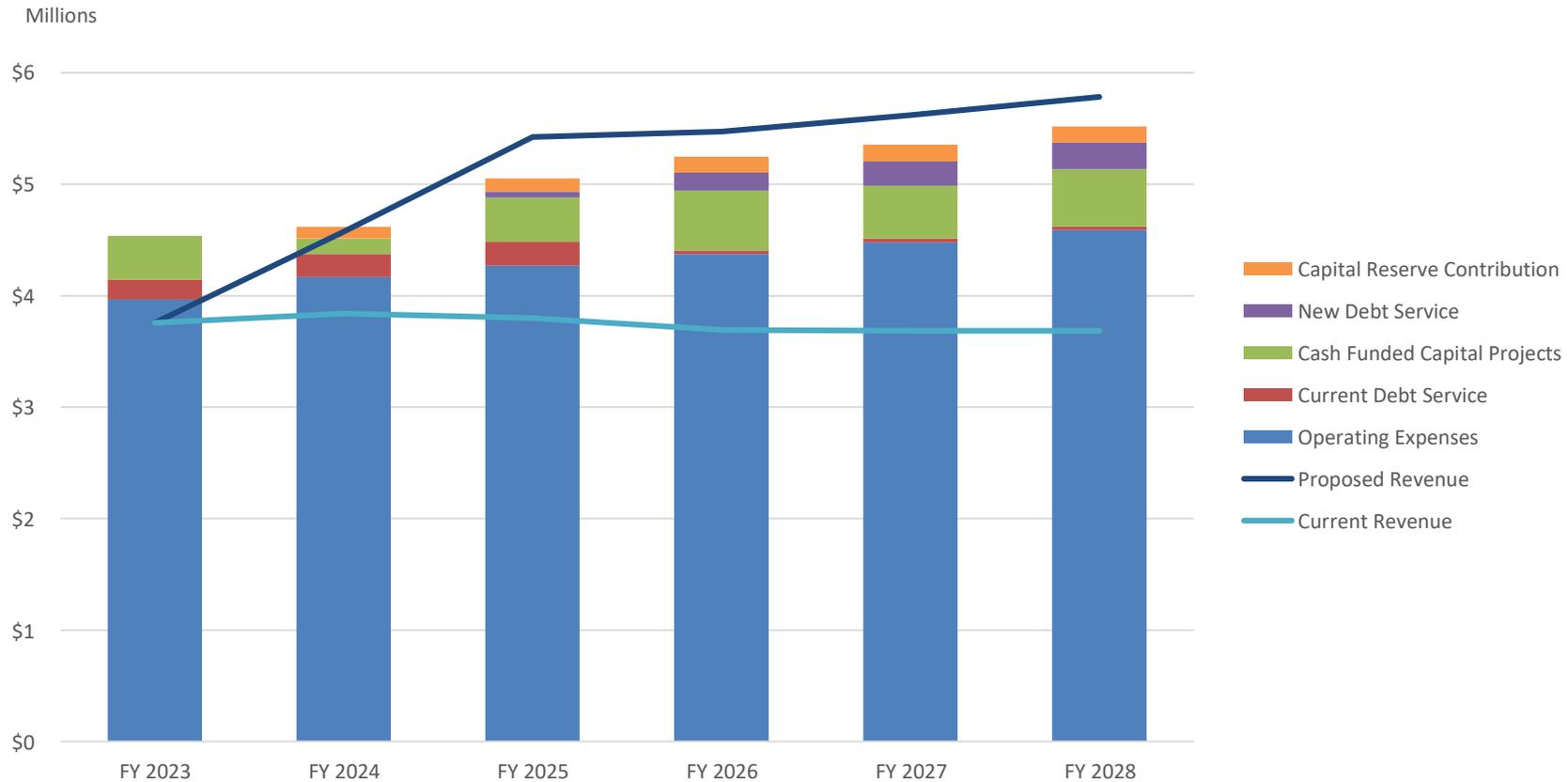
# Operating Fund Balance – Water



*The red line represents target equal to operating fund balance of 90 days (25%) of operating expenses*

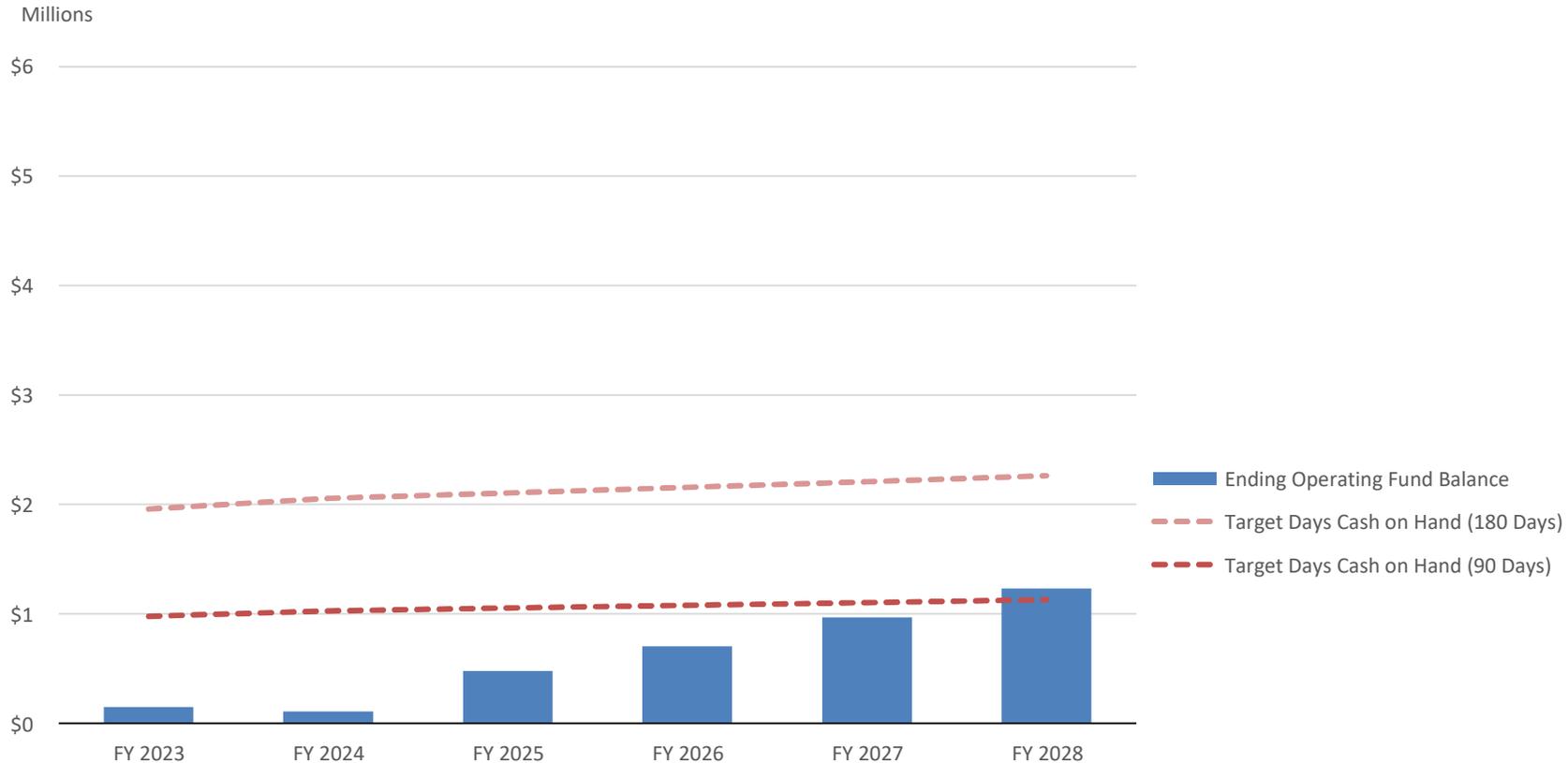
*The pink line represents target equal to operating fund balance of 180 days (50%) of operating expenses*

# Revenue Requirements vs. Current and Proposed Revenue - Sewer



*Proposed Revenue reflects a 21% increase in FY 2024 and FY 2025 and a 3% increase each year thereafter*

# Operating Fund Balance – Sewer



*The red line represents target equal to operating fund balance of 90 days (25%) of operating expenses*

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

# Current Charges (FY 2023)

	Water
<b>Annual Minimum Charge*</b>	
5/8	\$340.00
3/4	\$436.00
1	\$552.00
1 1/4	\$680.00
1 1/2	\$872.00
2	\$1,190.00
3	\$2,060.00
4	\$3,124.00
6	\$6,012.00
<b>Commodity Charges (per 100 cubic feet)</b>	
Tier 1 (6,001 - 9,500 cf)	\$2.92
Tier 2 (9,501 - 13,000 cf)	\$3.94
Tier 3 (Over 13,000 cf)	\$4.95

*\*Includes usage of 6,000 cubic feet*

	Sewer
<b>Annual Minimum Charge*</b>	
per unit	\$400.00
<b>Commodity Charges (per 100 cubic feet)</b>	
Tier 1 (8,001 - 20,000 cf)	\$2.75
Tier 2 (20,001 - 30,000 cf)	\$3.25
Tier 3 (Over 30,000 cf)	\$2.75

*\*Includes usage of 8,000 cubic feet*

*64% of water customers and 73% of sewer customers have annual usage at or below the minimum (i.e., no excess usage)*

# Projected Water Rates

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Annual Minimum Charge*</b>						
5/8	\$340.00	\$357.00	\$374.85	\$386.10	\$397.68	\$409.61
3/4	\$436.00	\$457.80	\$480.69	\$495.11	\$509.96	\$525.26
1	\$552.00	\$579.60	\$608.58	\$626.84	\$645.64	\$665.01
1 1/4	\$680.00	\$714.00	\$749.70	\$772.19	\$795.36	\$819.22
1 1/2	\$872.00	\$915.60	\$961.38	\$990.22	\$1,019.93	\$1,050.53
2	\$1,190.00	\$1,249.50	\$1,311.98	\$1,351.33	\$1,391.87	\$1,433.63
3	\$2,060.00	\$2,163.00	\$2,271.15	\$2,339.28	\$2,409.46	\$2,481.75
4	\$3,124.00	\$3,280.20	\$3,444.21	\$3,547.54	\$3,653.96	\$3,763.58
6	\$6,012.00	\$6,312.60	\$6,628.23	\$6,827.08	\$7,031.89	\$7,242.85
<b>Commodity Charges (per 100 cubic feet)</b>						
Tier 1 (6,001 - 9,500 cf)	\$2.92	\$3.07	\$3.22	\$3.32	\$3.42	\$3.52
Tier 2 (9,501 - 13,000 cf)	\$3.94	\$4.14	\$4.34	\$4.47	\$4.61	\$4.75
Tier 3 (Over 13,000 cf)	\$4.95	\$5.20	\$5.46	\$5.62	\$5.79	\$5.96

*\*Includes usage of 6,000 cubic feet*

# Projected Sewer Rates

	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Annual Minimum Charge*</b>						
per unit	\$400.00	\$484.00	\$585.64	\$603.21	\$621.31	\$639.94
<b>Commodity Charges (per 100 cubic feet)</b>						
Tier 1 (8,001 - 20,000 cf)	\$2.75	\$3.33	\$4.03	\$4.15	\$4.27	\$4.40
Tier 2 (20,001 - 30,000 cf)	\$3.25	\$3.93	\$4.76	\$4.90	\$5.05	\$5.20
Tier 3 (Over 30,000 cf)	\$2.75	\$3.33	\$4.03	\$4.15	\$4.27	\$4.40

*\*Includes usage of 8,000 cubic feet*

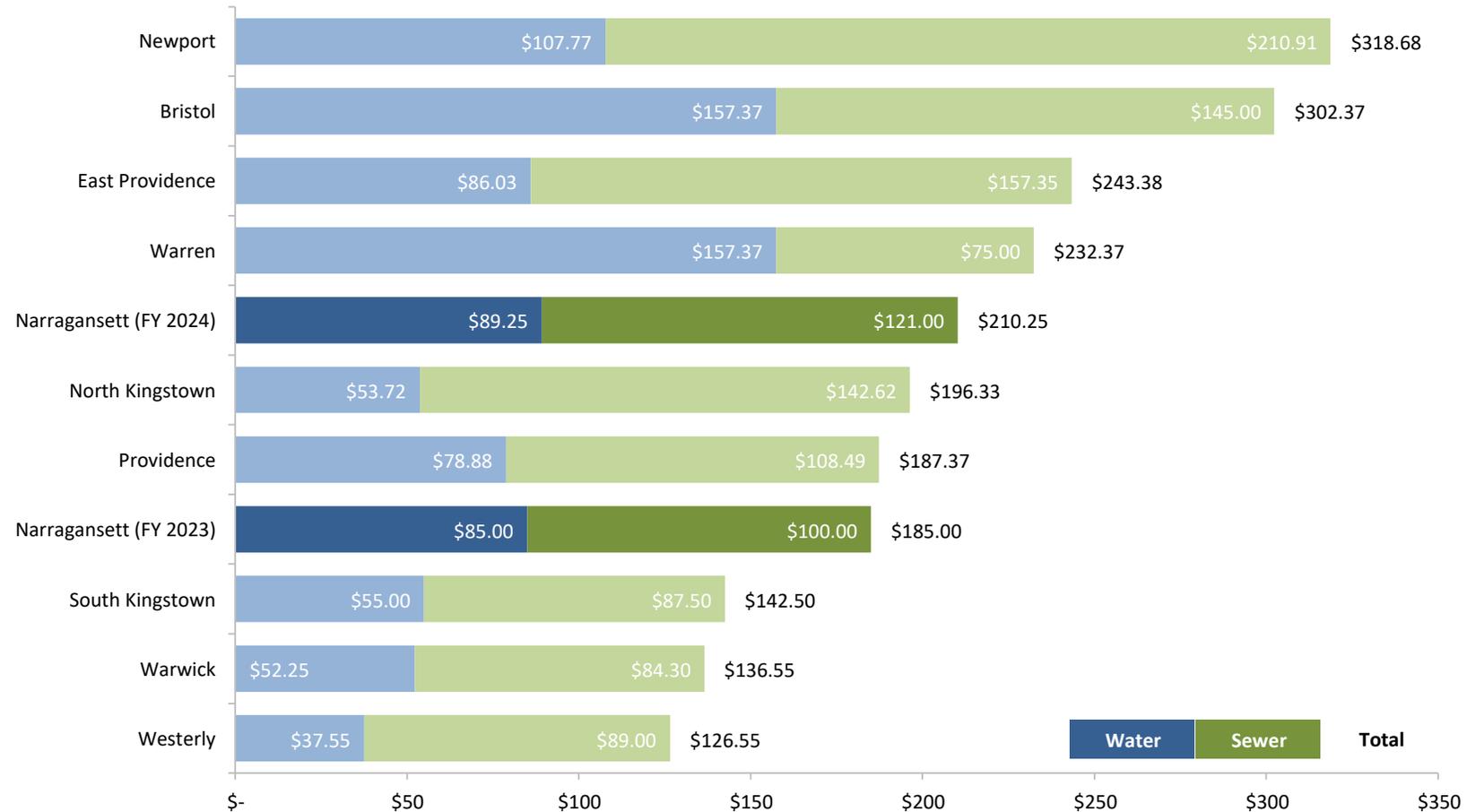
# FY 2024 Quarterly Bill Impact

User (Percentile)	Quarterly Usage (cubic feet)	Current Bill	FY 2024 Bill	FY 2024 Bill Increase
<b>Median User (50th) – No Excess</b>				
Water Bill	1,100	\$85.00	\$89.25	\$4.25
Sewer Bill		\$100.00	\$121.00	\$21.00
<b>Combined Bill</b>		<b>\$185.00</b>	<b>\$210.25</b>	<b>\$25.25</b>
<b>Median User (50th) – Excess</b>				
Water Bill	1,100	\$117.12	\$122.98	\$5.86
Sewer Bill		\$130.25	\$157.60	\$27.35
<b>Combined Bill</b>		<b>\$247.37</b>	<b>\$280.58</b>	<b>\$33.21</b>

*Notes:*

- Residential customers with 5/8 inch meters
- “No Excess”: at or under annual usage minimum of 6,000 cubic feet for water and 8,000 cubic feet for sewer
- “Excess”: over annual usage minimum of 6,000 cubic feet for water and 8,000 cubic feet for sewer

# FY 2024 Combined Quarterly Bill Comparison



**Notes:**

- Comparison is for smallest meter size and 1,100 cubic feet of usage (median for Narragansett customers)
- Narragansett bills are for those under the annual usage minimums (i.e., no excess)

# Recommendations

- Adopt the recommended water and sewer rates for FY 2024 through FY 2028
- Establish a fund balance policy (operating and capital)
- Review rates, charges, and fees on an annual basis and revise as needed
- Consider a full cost of service study for all rates, charges, and fees every three to five years



# QUESTIONS?

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