



TOWN OF NEWTOWN
PUBLIC WORKS DEPARTMENT

Date: September 12, 2014

To: Mary Ann Jacob, LC Chairman

From: Fred Hurley, Director of Public Works

A handwritten signature in blue ink, which appears to read 'Fred Hurley', is written over the 'From:' line.

RE: Water Rates

The Proposal: The Water & Sewer Authority at its July 10, 2014 regular meeting passed a resolution to request that the Legislative Council consider and approve an 8% rate hike for the users of the Fairfield Hills water system, for each of the next three (3) years. The Legislative Council (LC) is being requested to take this action because the ordinance changing the Water Pollution Control Authority (WPCA) to the WSA kept the authority to raise water usage rates with the LC. **This would be the first rate hike in over six (6) years.**

The Need: During the subsequent years from the last rate hike, the WSA has had to undertake \$1.4 Million in upgrades and improvements to the water system required by the CT State Department of Health, OSHA and general operating necessity. These projects have ranged from pipe and hydrant replacements to complete overhauls of the storage bunkers, wells and central pump house and addition of an emergency backup generator.

The system could not have been sustained without these repairs and improvements to serve its critical clients, which include Garner Correctional Facility, Nunawauk Meadows Senior Housing, Reed School, Newtown Municipal Center, Governor's Horseguard, Newtown Sports Academy, Federal Dog Training Facility, CONNDOT Garage, Newtown Animal Control Facility, Newtown Dog Park, five residences and the new Ambulance Facility.

The funding was provided by the reserves of the WSA from the sewer side of the Authority. However, the water users are required to pay back this advance. Over the next twenty (20) years, it is anticipated that an additional \$2 Million must be raised both for capital improvements and to establish an adequate cash reserve fund balance.

What is the Current Budget Situation: The current budget produces approximately \$316,000 in revenue. Of this total, \$193,000 is for direct operating expenses. The remaining \$123,000 is available for annual capital items and the repayment of the \$1.4 Million advanced by the Sewer Fund. However, after the \$123,000 is reduced by \$44,000 covering interest on the \$1.4 Million and \$50,000 for additional annual capital items, only \$29,000 remains for a principle payment.

The Problem: At this revenue level, the Water Fund will never be able to pay back the entire \$1.4 Million; it will never have continuing adequate funds for annual capital needs and it will never establish an appropriate fund balance. Inflation alone will continually drive up direct operating costs. After the third year, inflation of 3.5% will eliminate any available funds for a principle payment at the current water rates.

The Solution: Adding 8% water rate increases to revenue each of the next three years and adjusting for inflation would produce the following results-

	Base	8%	(3.5%)	Net	Total
		Rate Increase	Inflation	Available	
Current Budget	\$316,000	-	-	\$29,000	
First Year	\$316,000	\$25,280	(\$6,755)	+\$18,525	\$47,525
Second Year	\$341,280	\$27,302	(\$6,755)	+\$20,547	\$68,072
Third Year	\$368,582	\$29,487	(\$6,755)	+\$22,732	\$90,804

The "Total Addition Column" indicates what would be available to repay the existing capital debt. The net total of \$90,804 added to the current interest payment of \$44,000 would provide a total of \$134,804 to cover an annual amortized payment of \$90,102 and begin to build a reserve fund balance for future capital project requirements. Future rate increases will be necessary to balance future inflation. But, this proposal will start the Water Fund on a secure self-funded basis.

	Water Usage
Who's Impacted: State of CT Facilities –	83.0%
Nunawauk Meadows* -	9.4%
Town	6.9%
Residences	.7%

*Subsidized Rate is approximately half the residential/commercial rate.

Rate(s) Changes:

Current	\$7.30 per 1,000 gallons
1 st Year	\$7.88 " "
2 nd Year	\$8.51 " "
3 rd Year	\$9.19 " "

These rates are in line with similar size small water systems.