Water & Sewer Rate Fee Discussion

Town of Chelsea
Selectboard Meeting

2025 April 15
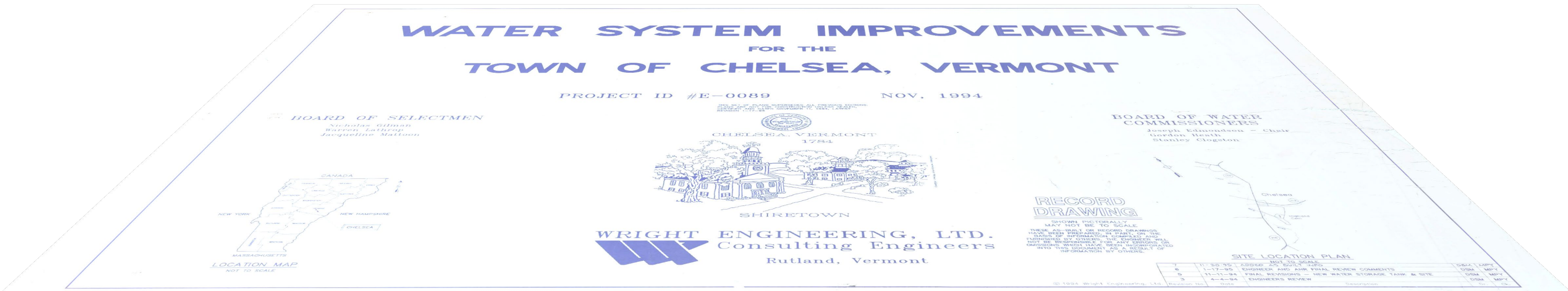
Meeting Objectives

Engage residents about the state of the Water Department

- Provide basic information and historical context

- Acknowledge relevant upcoming topics (but defer discussion)

- **Discuss rate fee increases**
    - Explain current finances and recent trends
    - Introduce options for immediate adjustment of rates
    - Set a timeline for finalizing decisions and actions
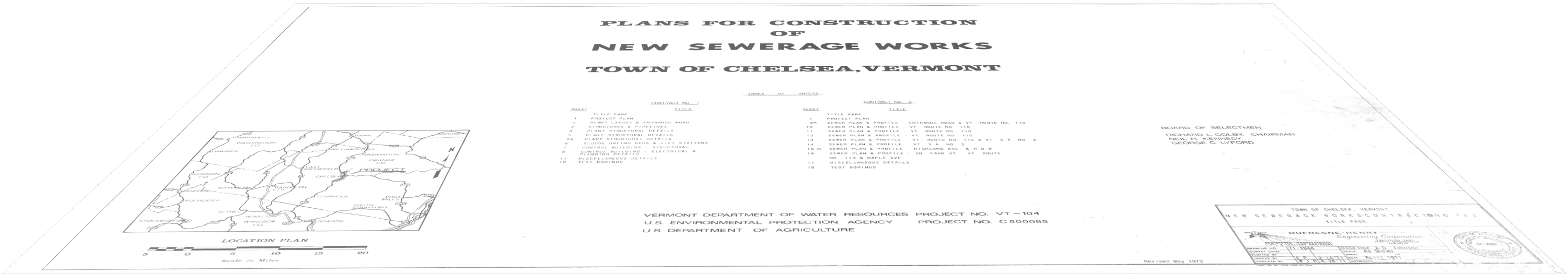   - Discuss additional ideas, questions, and concerns

Water System At-a-Glance

1990s	183	10.1M	$77K	0.8¢
Consolidation and major improvements	Units served on 123 active connections	Gallons produced in 2024	Projected expenses for 2025	Cost per gallon produced

Sewer System At-a-Glance

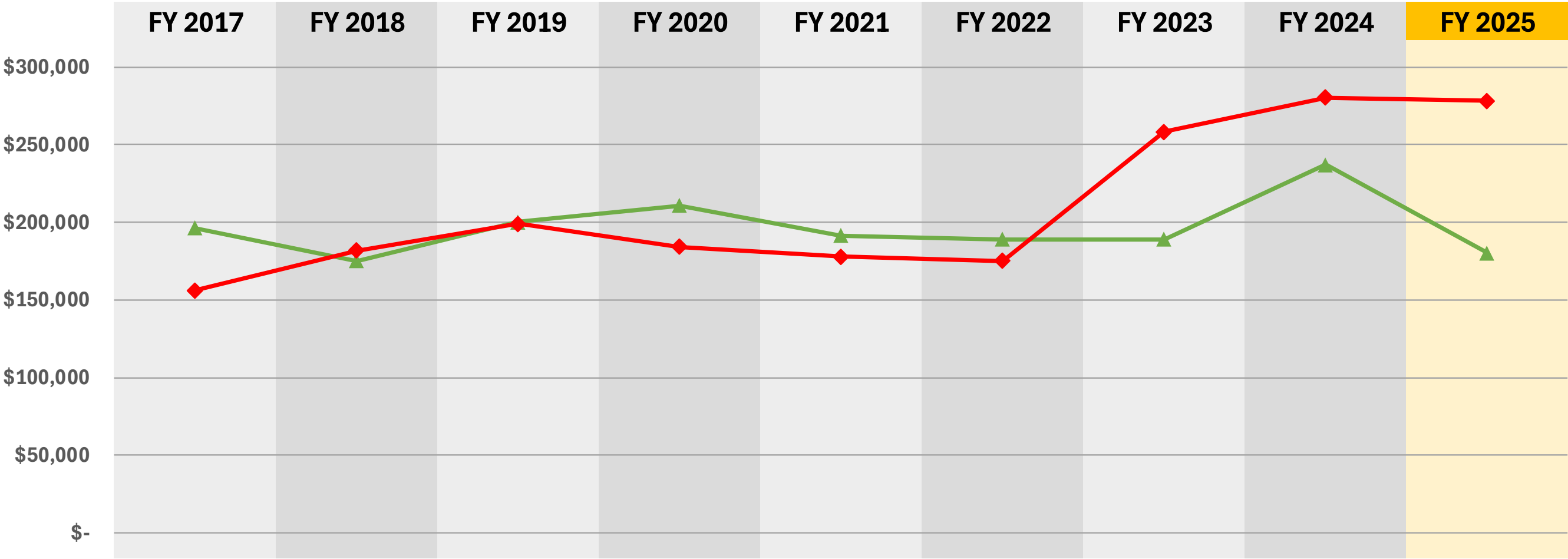| 1970s	230	8.6M	$201K	2.3¢
Original system construction	Units served on 132 active connections	Gallons treated in 2024	Projected expenses for 2025	Cost per gallon treated

Upcoming Water Department Topics

- **Capital Planning**: Long-term planning is needed to ensure reliability of the systems

- **Pump Station**: Improvements for the Wastewater Treatment Plant are currently in preliminary engineering

- **Water Meters**: Current meters are past their useful life

- **Permit**: Since 2018, our current permit is continuing on "administrative extension" from the State of Vermont
  - Every new permit that comes up includes new regulations for phosphorous removal, nitrogen removal, sampling, etc.

- **Ordinance**: Updates are needed for clarification

Financial Trends

▲ **Revenues** have remained flat while ◆ **Expenses** have increased

Key Financial Points

- **Where do revenues come from?**
  - Most revenue comes from service fees (last adjusted in 2018)
  - $82.76 per unit per quarter for water
    - Plus 0.4¢ per gallon over 15,000
  - $121.74 per unit per quarter for sewer
- **Why have expenses been increasing?**
  - Costs are increasing everywhere – equipment, electricity, etc.
  - The State disallowed disposal of sludge via land application
  - Regulations are increasing, resulting in more costs for compliance
- **How have we been covering the difference?**
  - We have been using savings from the Water Department Sinking Funds

Fee Adjustment Objectives

Adjust the fee structure such that:

- **Revenues cover expenses**
  - We <u>must</u> stop draining the sinking funds
  - We should determine if / how quickly to replenish those funds
- **Residents are not put at risk of losing service**
  - Allow residents with fixed incomes time to plan for increases

Possible Rate Increase Options

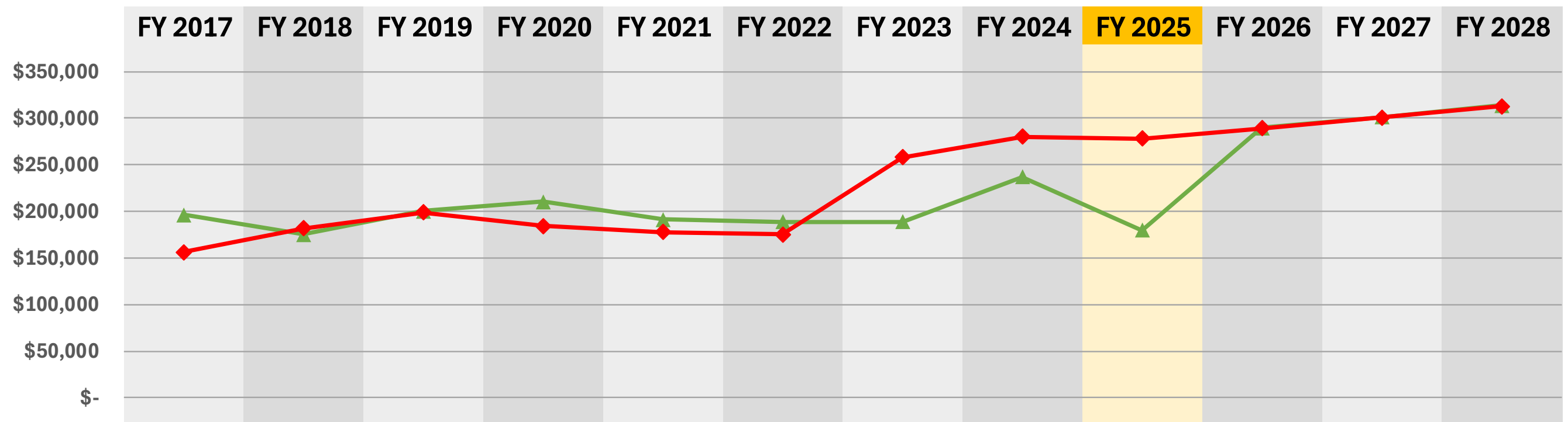Consider variations on two primary options:

- **Option A: One big increase**
  - Adjust immediately to balance current revenues and expenses
- **Option B: A series of medium increases**
  - Accept running at a deficit again in 2025, but make a series of increases for the next several years until we reach a balance
- For either option:
  - Recognize that we will need to have more frequent smaller increases in the future to stay balanced
  - Consider need to replenish sinking funds

Option A: One Big Increase
(without rebuilding sinking funds)

60% increase now, then increase at ~4% each following year

- Water increase ~$50 quarterly per unit from $82.76 to **$132.41**
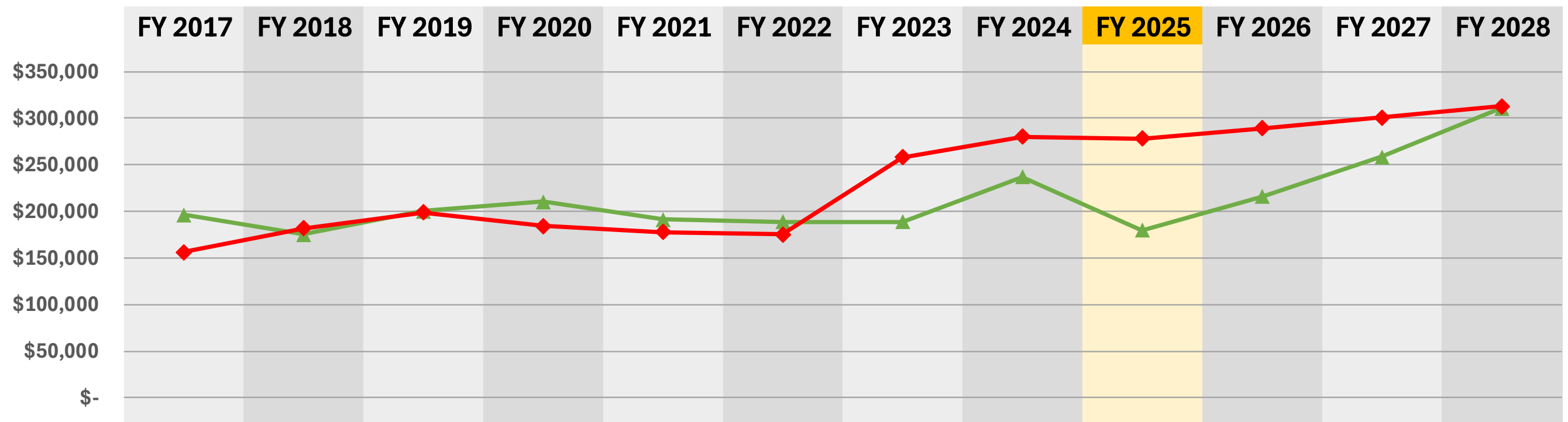- Sewer increase ~$73 quarterly per unit from $121.74 to **$194.78**

Option B: a Series of Medium Increases
(without rebuilding sinking funds)

20% increase each year through 2028

- Water increase ~$17 quarterly per unit from $82.76 to **$99.31**
- Sewer increase ~$24 quarterly per unit from $121.74 to **$146.08**

Intended Timeline

- Continue research and facilitate additional public input and discussion throughout May
  - Send concerns or suggestions to Tierney Farago town.administrator@chelseavt.us
  - Attend Selectboard meetings to provide input
- Finalize financial projections and make rate decisions at the Selectboard meeting on 2025 June 03
- Make adjustments effective for the next quarterly bill (July)

Discussion
Ideas, Questions, Concerns