

# City of East Providence

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**Sewer Enterprise Fund - Rates Study Overview**

**City Council Meeting**

**March 21<sup>st</sup>, 2023**



# Background

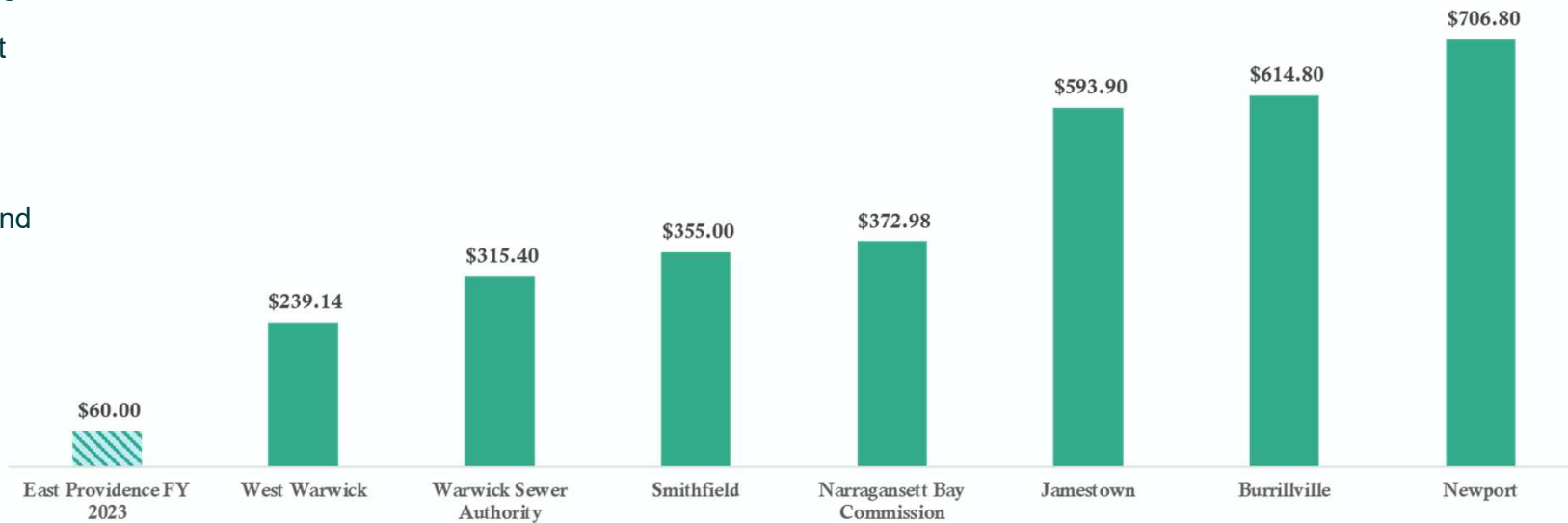
- The sewer fund has not had a volumetric rate increases since FY 2015, and has not had an increase to the minimum charge in over a decade
- The general fund has subsidized the sewer fund over the last several years in the amount of almost \$4 million
  - › If rates are not increased, the general fund will have to subsidize the sewer fund with an additional \$13.3 million over the next 5 years
- Sewer rates have been discussed at length with prior City Councils
  - › Workshops were held in 2016, 2017, 2018, and 2019
  - › No action taken, and then the pandemic
- 23% of all sewer bills sent out are assessed only the minimum charge of \$5 per month

# Annual Sewer Bill Comparison

## Annual Sewer Bill - 2.92 Ccf per Month

Narragansett Bay Commission:

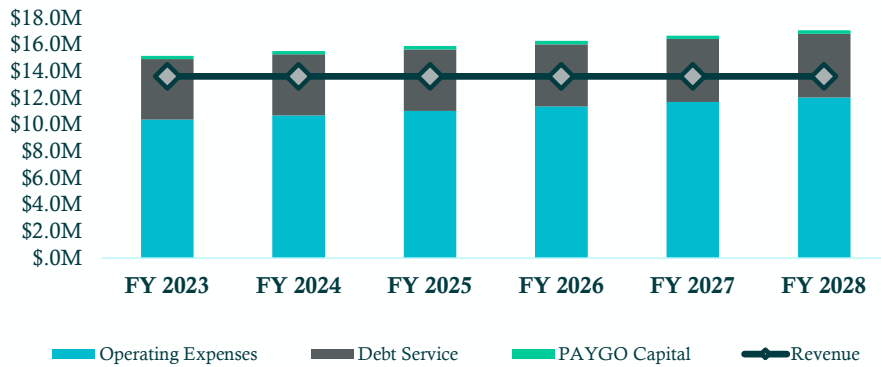
- Providence
- Pawtucket
- Johnston
- Lincoln
- Cumberland



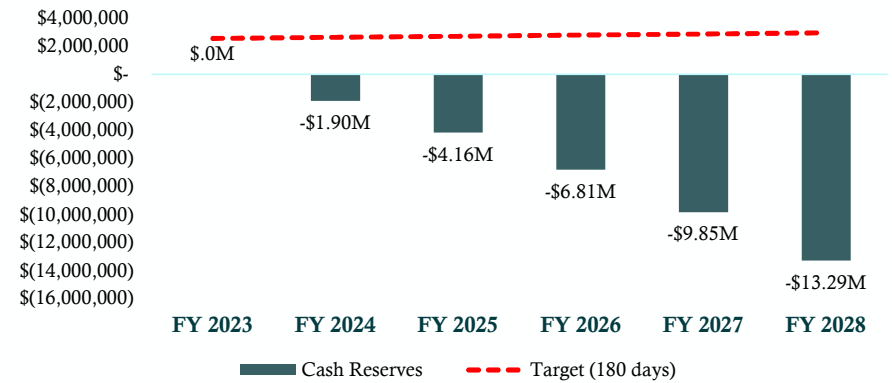
\*2.92 Ccf is equal to 2,184 gallons

# Financial Outlook with No Rate Increases

## Sewer Fund Cashflow



## Sewer Cash Reserves



# The Need for Rate Increases

- The sewer fund needs additional revenue immediately to cover its operation and maintenance, debt service, additional capital costs, as well as for financial viability and compliance with bond covenants
- The general fund has subsidized the sewer fund over the last several years in the amount of almost \$4 million
  - › If rates are not increased, the general fund will have to subsidize the sewer fund with an additional \$13.3 million over the next 5 years
- Without a rate increase, the sewer fund will not be eligible for Rhode Island Infrastructure Bank (RIIB) loans, which are utilized to pay for necessary projects and significantly mitigate rate increases on customers
- While the sewer fund has not had a rate increase since FY 2015, sewer rates have been going up across the Country by approximately 6% annually

# Rate Increase Options

## Option 1 – Across-the-Board

- Increase volumetric and minimum charges by 23.5%, and then 3% annually through FY 2027

## Option 2 – Double Minimum Charge

- Increase minimum charges by 100% (\$10 per month for 5/8" customers)
- Increase volumetric rates by 15.5%
- Then 3% across-the-board increases annually through FY 2027

# Annual Sewer Bill Comparisons

	Existing	FY 2024	\$ Change	% Change
<u>2.92 Ccf Customer</u>				
Option 1 – Across-the-Board	\$60.00	\$75.00	\$15.00	25%
Option 2 – Double Minimum Charge	\$60.00	\$120.00	\$60.00	100%
<u>12 Ccf Customer</u>				
Option 1 – Across-the-Board	\$1,230.23	\$1,519.81	\$289.58	23.5%
Option 2 – Double Minimum Charge	\$714.71	\$1,471.10	\$240.87	19.6%

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# Next Steps

- Rate increases discussed tonight would go into effect on May 1, 2023
- The sewer fund would then need to increase rates by 3% in fiscal year 2024, 2025, 2026, and 2027
  - › The actual rates, for both options, have been integrated into draft updates to the City Ordinance
- Financial planning updates should be completed annually to ensure no meaningful changes to the forecast



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# Thank you!

**Contact:** Dave Fox

774 243 0619 / [dfox@raftelis.com](mailto:dfox@raftelis.com)