FY27 Water and Sewer Rate Study

Introduction to City Council

November 17, 2025

Water Enterprise Fund

Sewer Enterprise Fund

Enterprise Funds

- Enterprise funds account for operations that are financed and operated in a manner similar to a private business.
- Must have fees and/or charges sufficient to cover the cost of providing goods and services, including capital costs (i.e., system reinvestment and debt service)
- Note: Property taxes **do not** subsidize the water and sewer enterprise funds.

Operational Costs

Water System

- Madbury Water Treatment Facility
- Pease Water Treatment Facility
- 192 miles of Water Mains
- Bellamy Reservoir
- 10 Wells
- 5 Storage Tanks
- Two Pressure Zones

Wastewater System

- Peirce Island Treatment Facility
- Pease Treatment Facility
- 115 miles of Collection System
- Combined Stormwater & Sanitary Flow
- 22 Pumping Stations
- 1,650 Manholes

Capital Costs

- Regulatory compliance
    - Nitrogen
    - Disinfection byproducts
    - PFAS
- Deferred maintenance
- Ongoing infrastructure maintenance & rehabilitation
- System capacity improvements
- Treatment system upgrades

Goals of Rate Study

- Update rate model to assure financial health, stability, and predictability of the City's Water and Sewer Enterprise Funds
- Appropriately price water and sewer services based on the costs required to provide them
- Balance rate and fee structures to reflect service needs across all customer types

Rate Study Team

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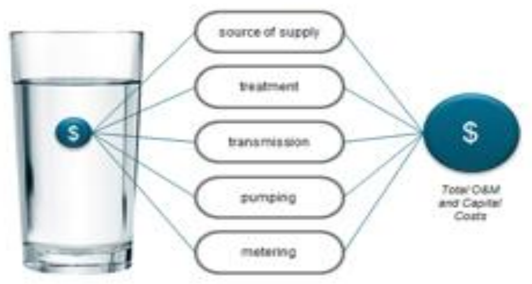
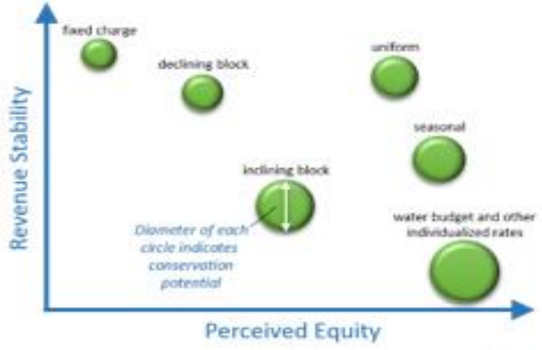
Portsmouth City Council

Rate Study Process





Financial Plan

How Much?

Defines how much total revenue is needed each year

Cost of Service

From Whom?

Defines proportional revenue recovery between customer types

Rate Design

How to Collect?

Structure of how revenues are recovered

Rate Study - Scope of Work

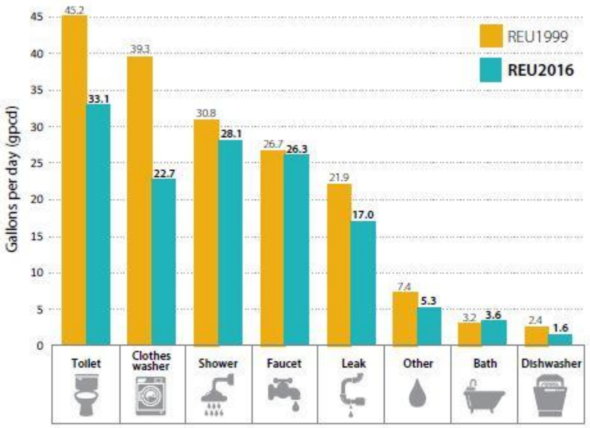
- Ten-Year Financial Plan Development
- Cost-of-Service Analysis
- Rate Design Evaluation
- Development of Alternative Rate Structures
- Capital Surcharges and Miscellaneous Charges
- Presentations, Report and Updated Rate Model

Why Conduct Rate Study?

- Capital investment needs
  - Regulatory requirements
  - Aging Infrastructure
  - Deferred maintenance
- Increasing construction costs
- Increasing operation & maintenance costs
- Decline in billable water use
- Changes in water and sewer customer types

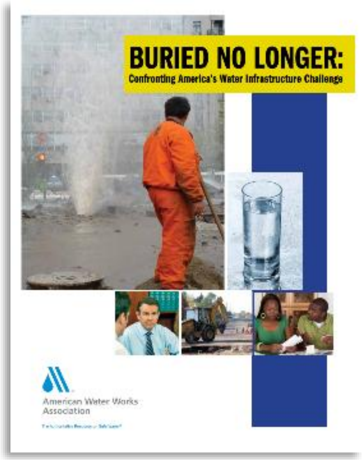
Industry Challenges

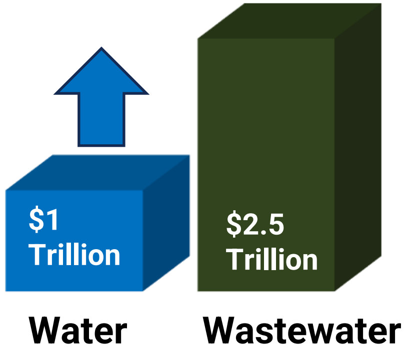
Reductions in Use / Revenue Impacts



22%
DECREASE
PER HOUSEHOLD
DAILY WATER USE
1999 TO 2016

Aging Infrastructure



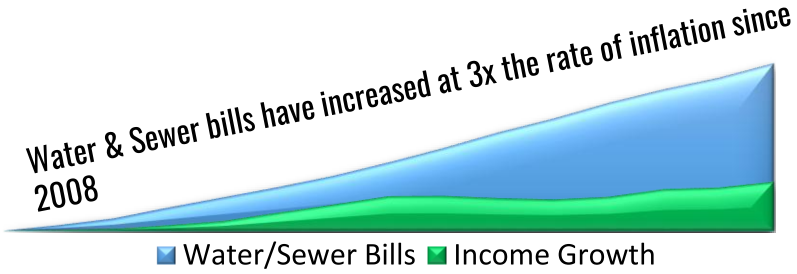


Regulatory / Resilience

PFAS, LCR, State Legislation

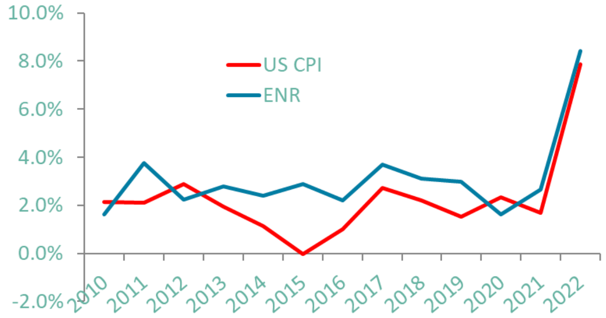
EPA United States Environmental Protection Agency

Customer Affordability

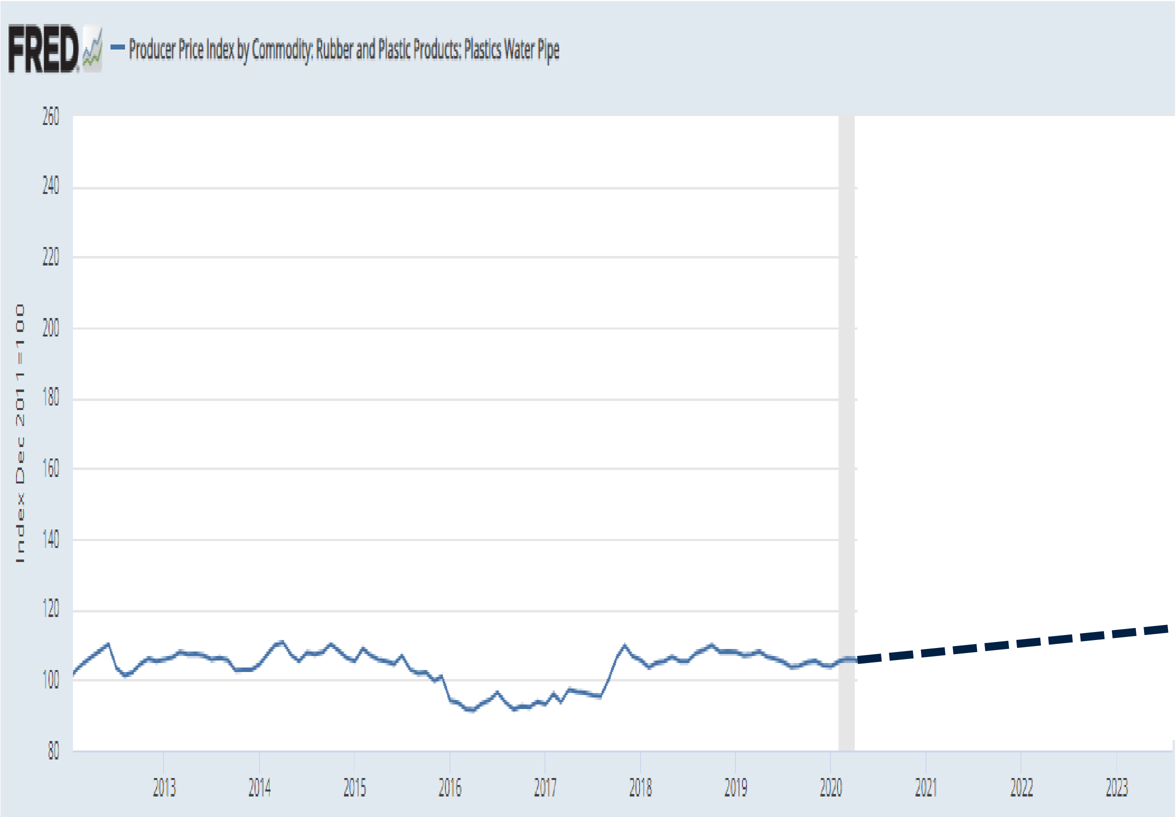


Aging Workforce

Cost Increases

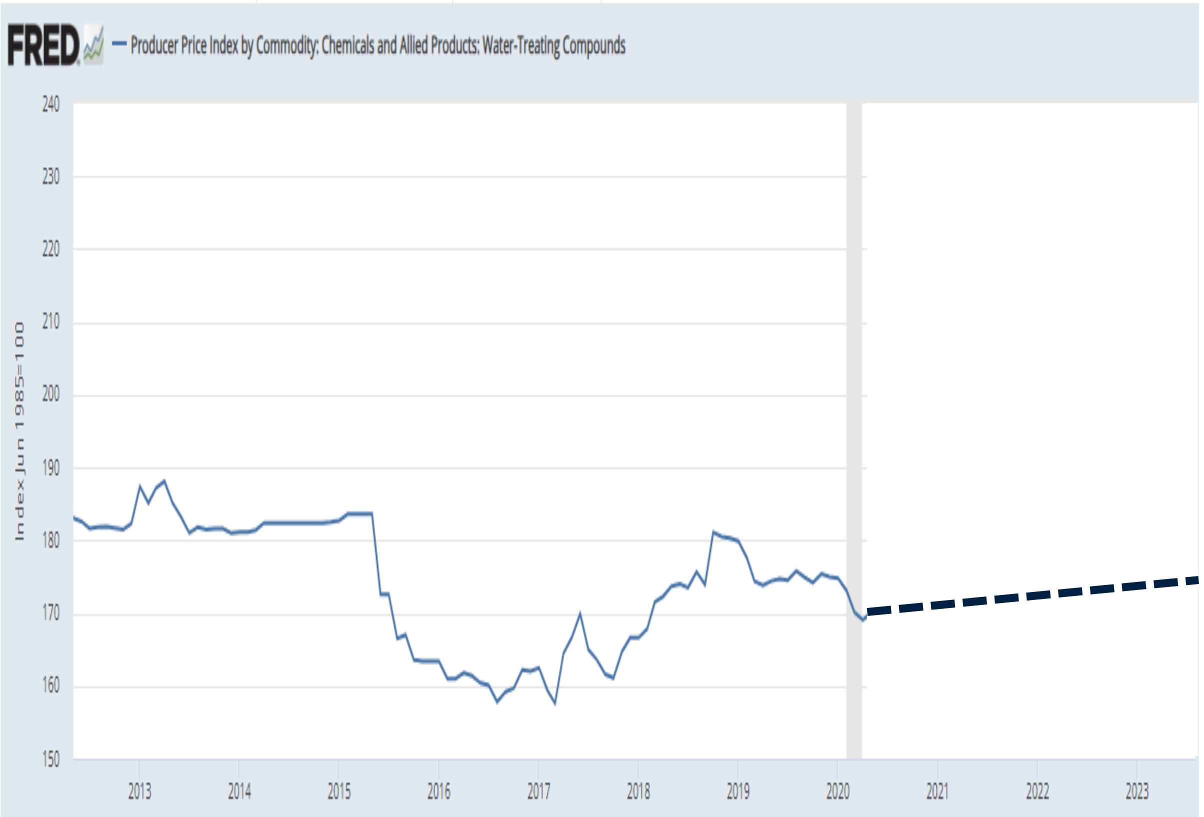


Operational Cost Inflation: 2020-2024



National Commodity Index – Plastic Water Pipe

- Up 132% from Jan 2020 to June 2023



National Water Treatment Chemical Index

- Up 31% from Jan 2020 to June 2023

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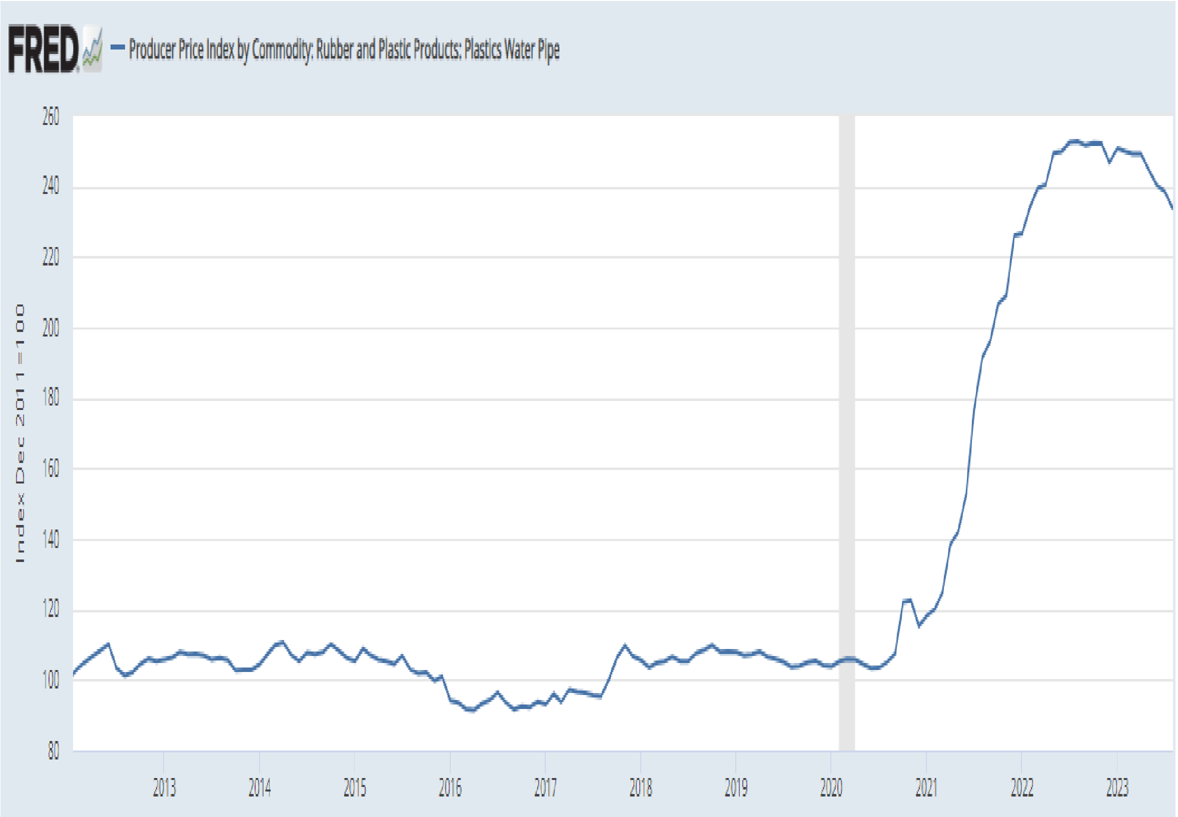

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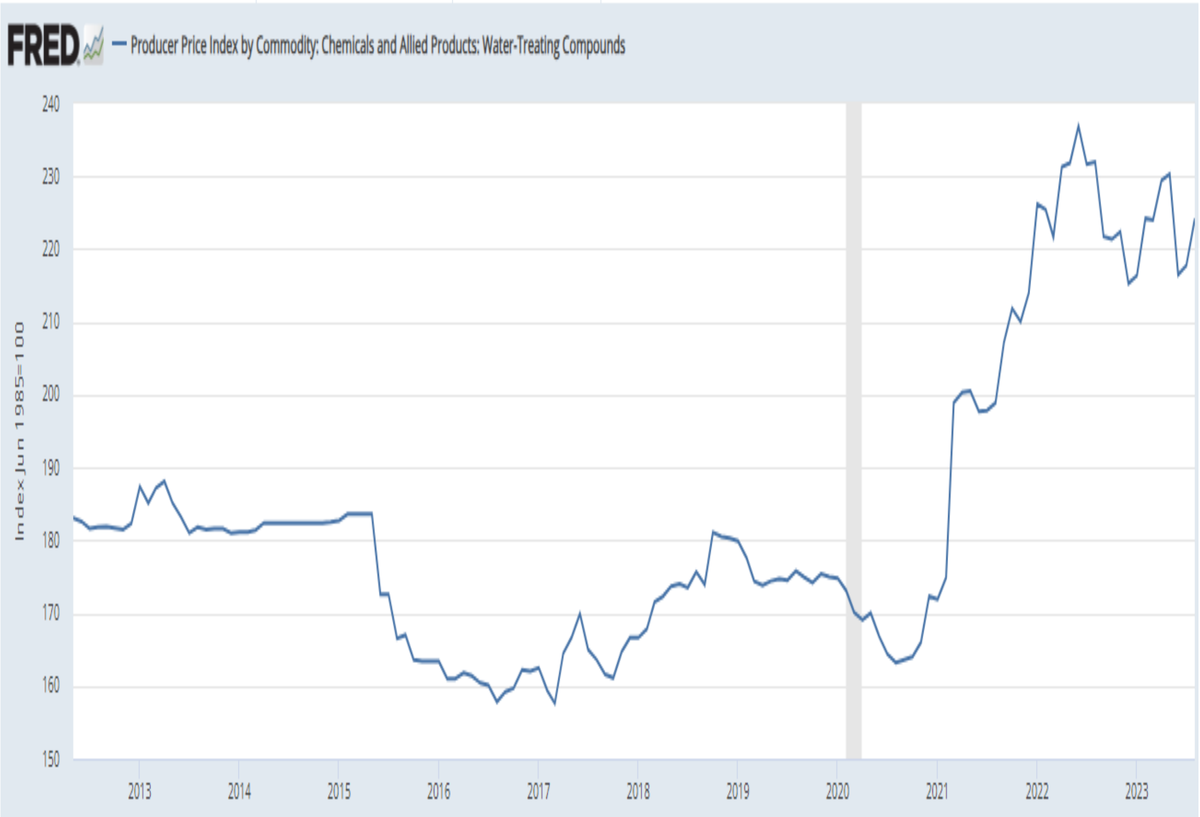

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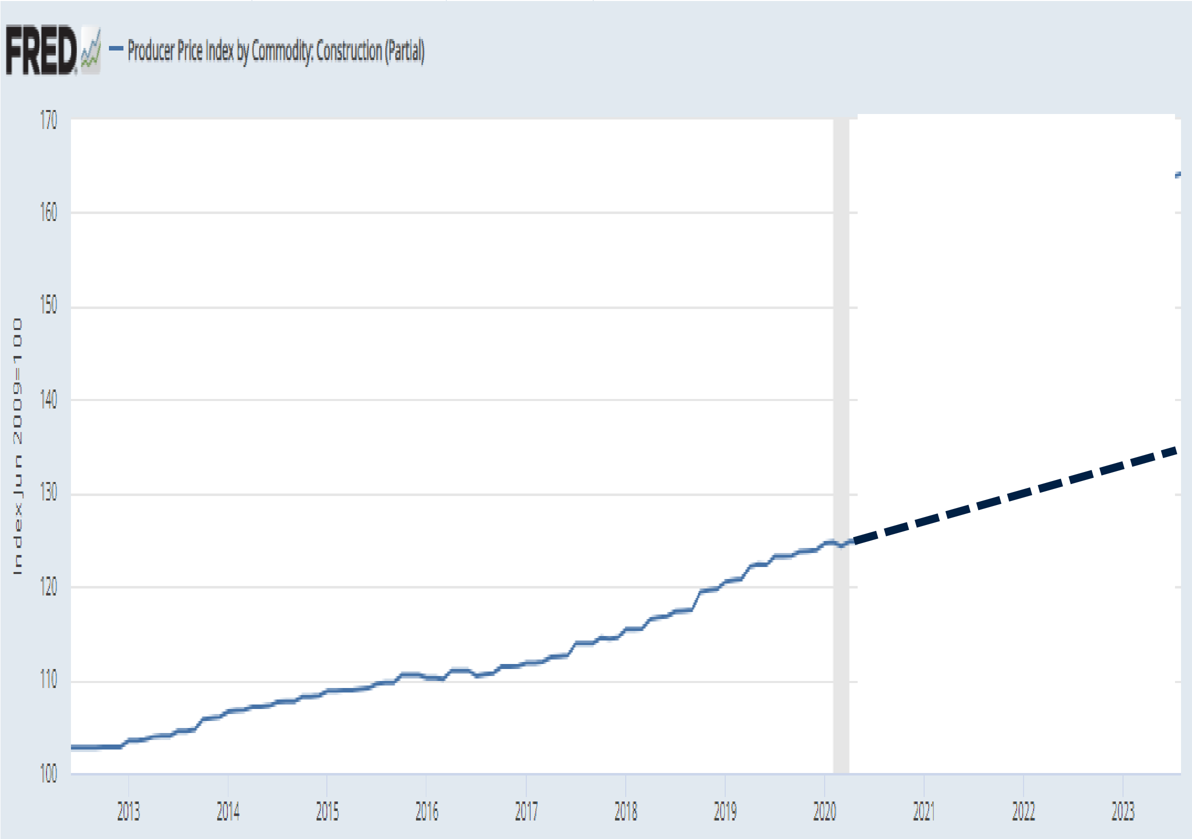
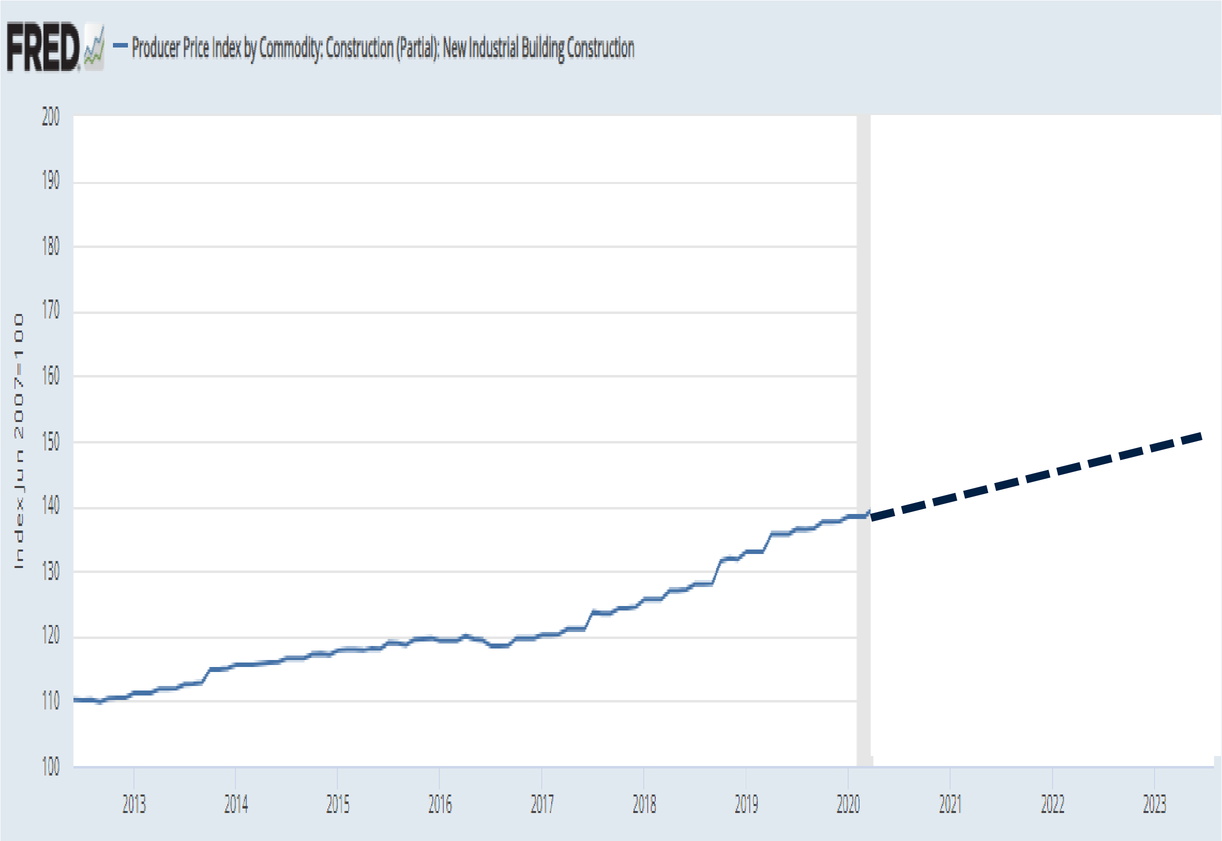
Construction Cost Inflation: 2020-2024





National Cost Index – Construction

- General Construction - Up 33% from Jan 2020 to June 2023
- Industrial Construction - Up 40% from Jan 2020 to June 2023

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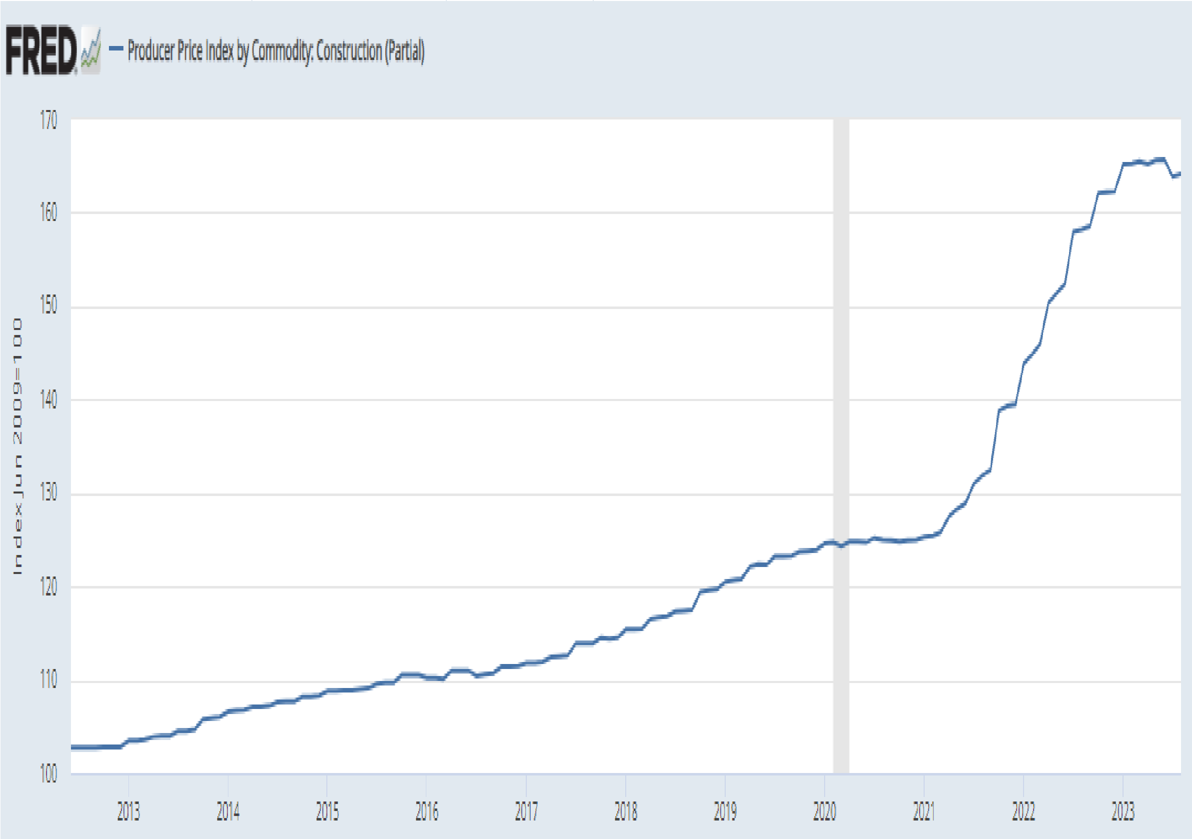

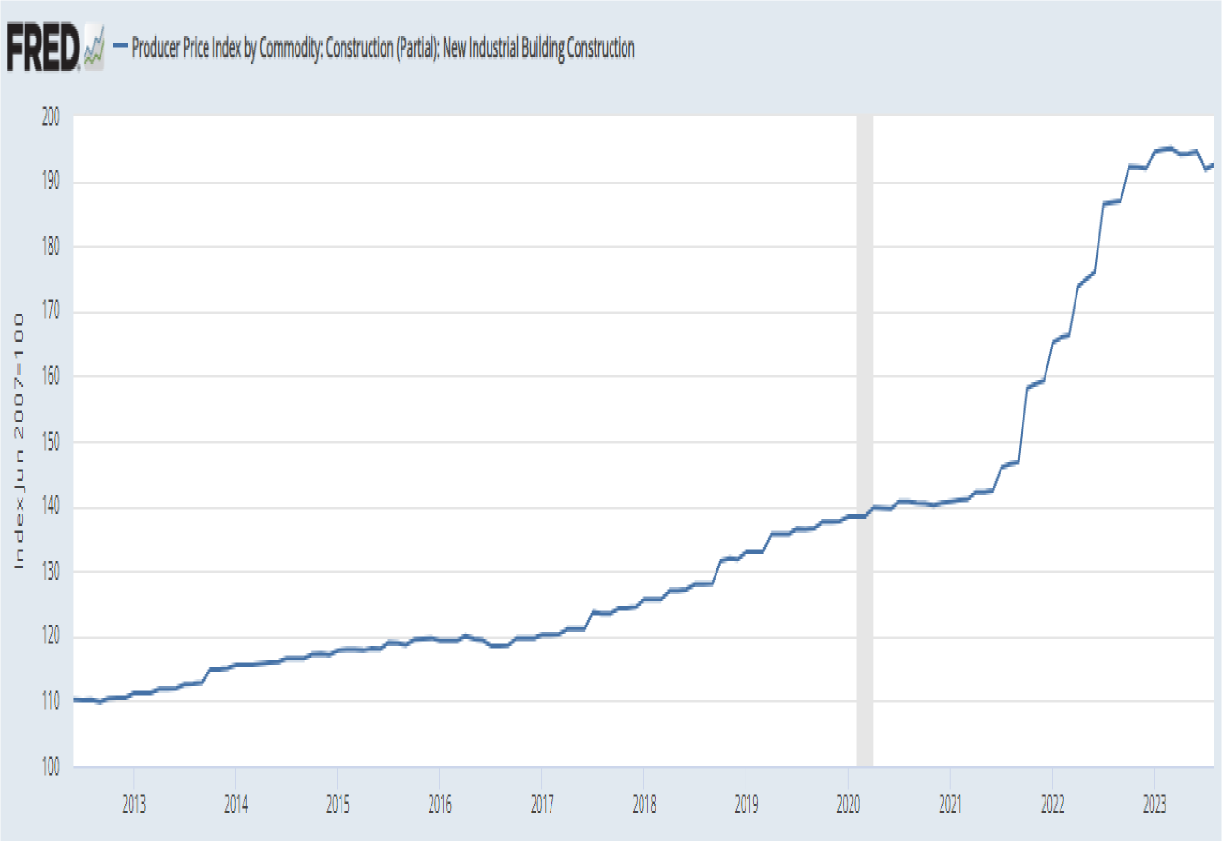

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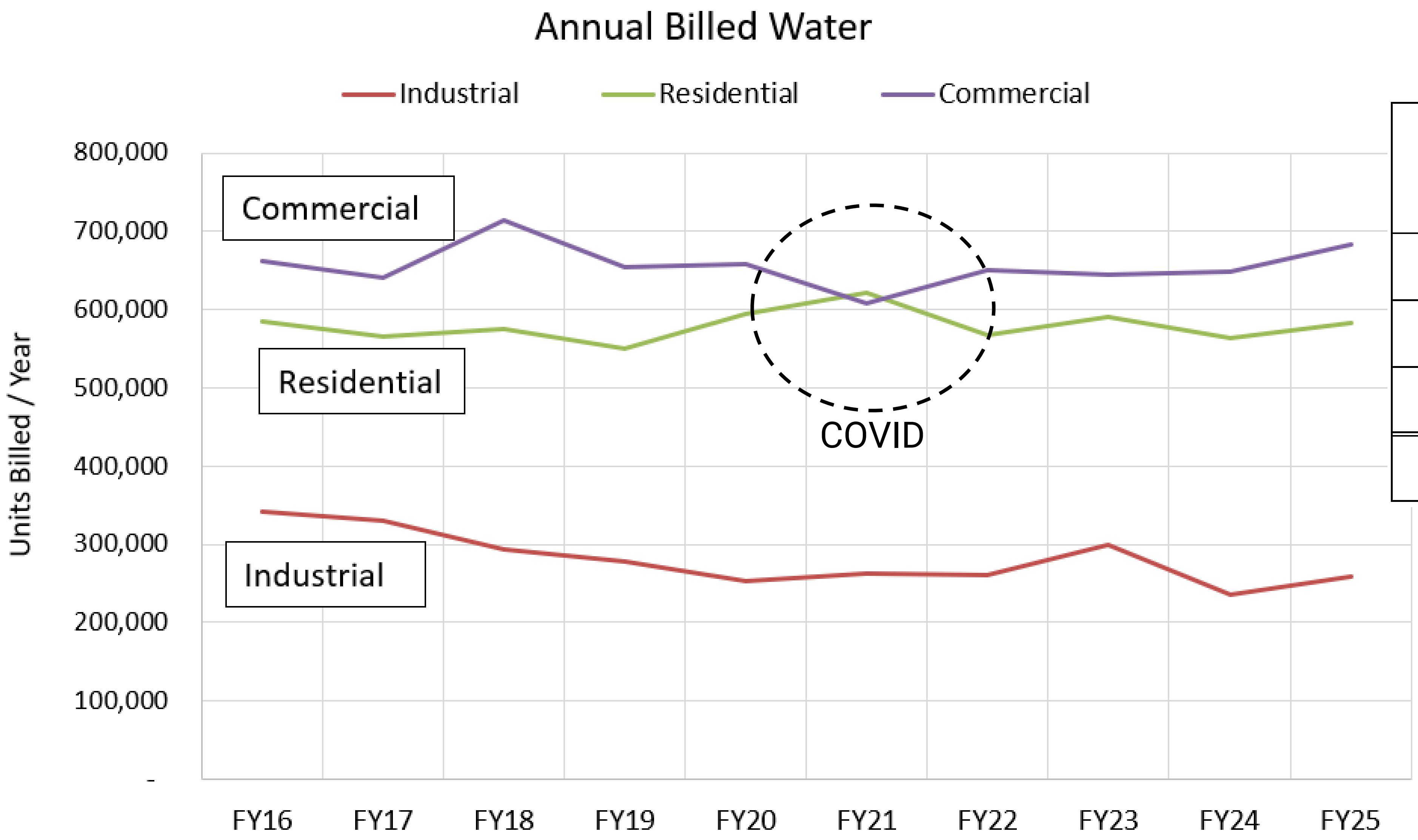
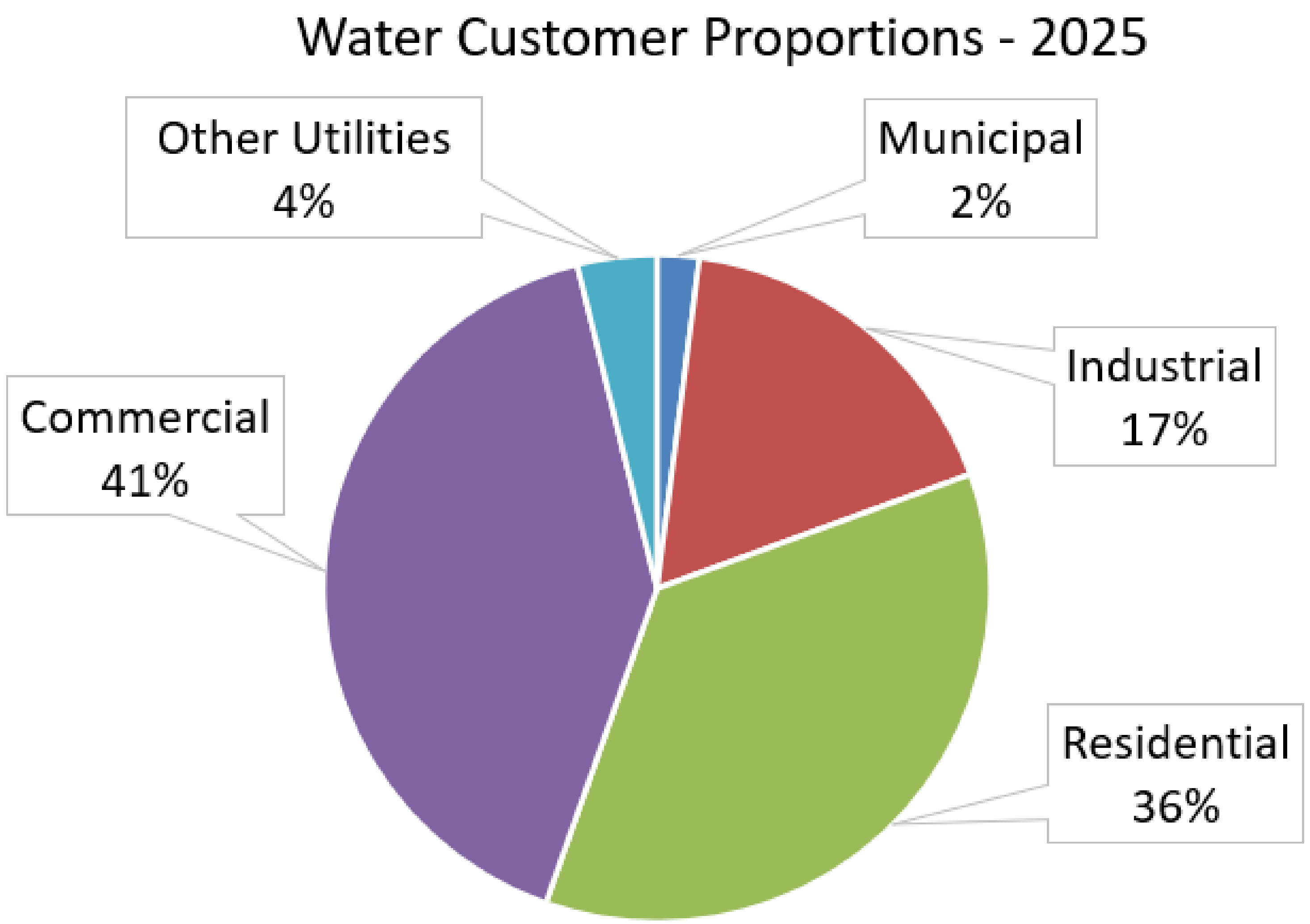
Billed Water Trend – 10 years



Water Use Change (FY16 to FY25)	
Commercial	3%
Residential	0%
Industrial	-24%
Total	-6%

Customer Categories



How the City Funds Water and Sewer Services

- Water Use and Sewer Use
  - Monthly per metered Unit (1 Unit = 748 gallons)
  - Two Tiered Rates:
    - Tier 1 up to 10 Units per month
    - Tier 2 more than 10 Units per month
  - Irrigation rates where applicable
- Fees – Services and related programs
- Other – Grants, special agreements, and interest income

Rate Changes FY16 - FY26

- Water Rates
- Sewer Rates

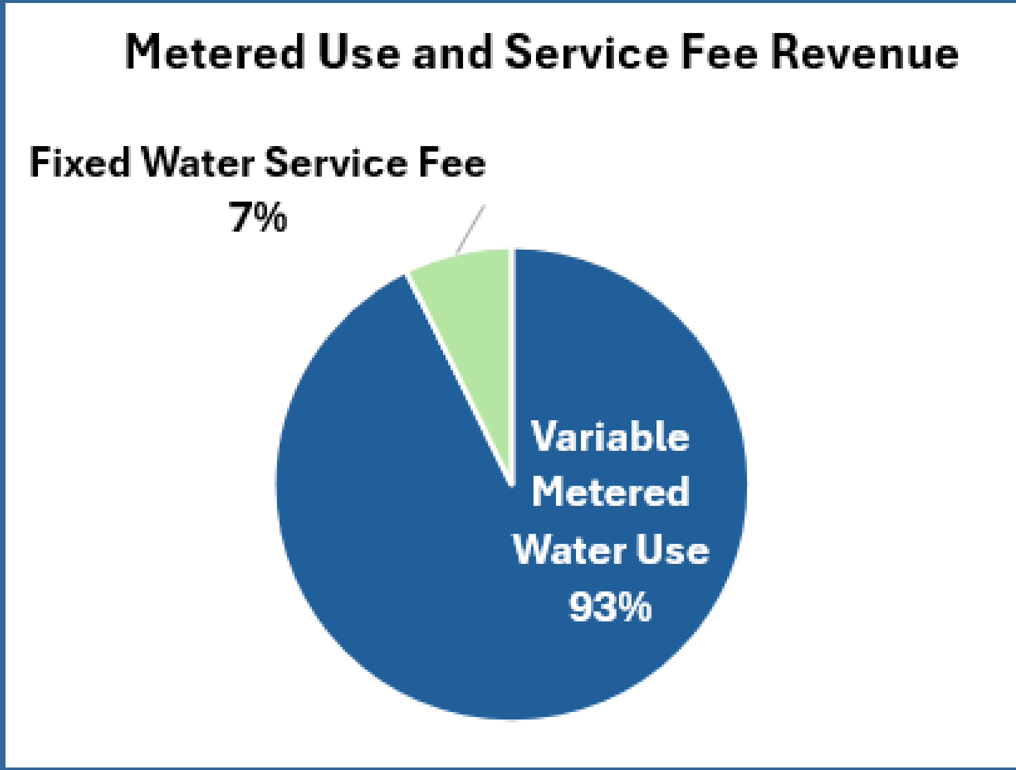
4 years with no rate adjustment

Tier 1 Rates

	Water		Sewer		Combined Water & Sewer	
	$ per Unit	yr-yr % change	$ per Unit	yr-yr % change	$ per Unit	yr-yr % change
FY16	$ 4.15	0.0%	$ 11.77	5.0%	$ 15.92	3.6%
FY17	$ 4.15	0.0%	$ 12.24	4.0%	$ 16.39	3.0%
FY18	$ 4.15	0.0%	$ 12.73	4.0%	$ 16.88	3.0%
FY19	$ 4.23	1.9%	$ 13.24	4.0%	$ 17.47	3.5%
FY20	$ 4.32	2.1%	$ 13.77	4.0%	$ 18.09	3.5%
FY21	$ 4.32	0.0%	$ 14.32	4.0%	$ 18.64	3.0%
FY22	$ 4.40	1.9%	$ 14.89	4.0%	$ 19.29	3.5%
FY23	$ 4.54	3.2%	$ 15.78	6.0%	$ 20.32	5.3%
FY24	$ 4.74	4.4%	$ 16.49	4.5%	$ 21.23	4.5%
FY25	$ 5.02	5.9%	$ 17.32	5.0%	$ 22.34	5.2%
FY26	$ 5.47	9.0%	$ 18.01	4.0%	$ 23.48	5.1%
yr-yr average % change:		2.6%		4.4%		3.9%

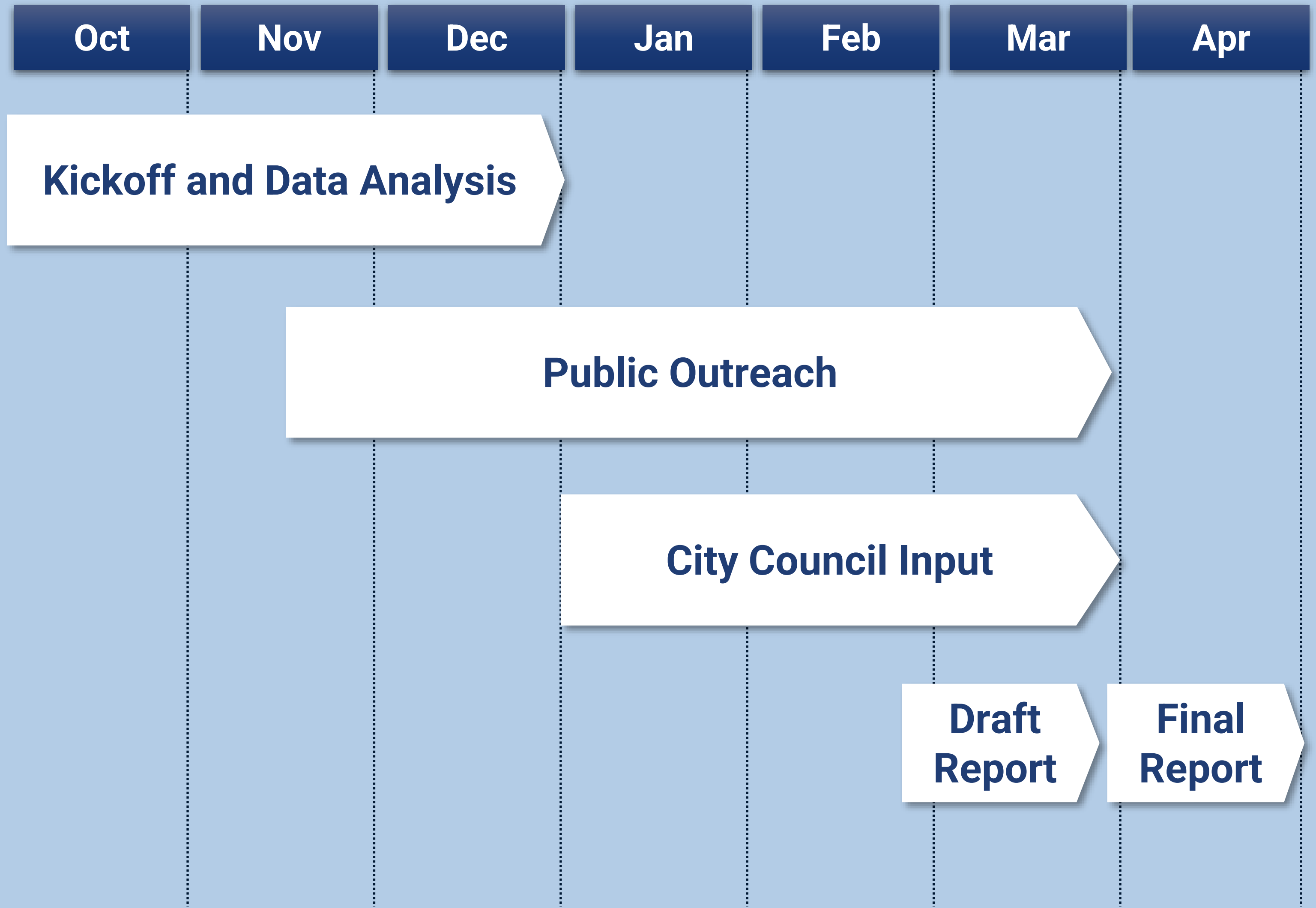
Water and Sewer Fees

- Water Service (monthly fee)
- Fire Service
- Backflow Device Testing
- Service Connection
- Capacity Surcharge
- Hydrant Rental
- Wastewater Loading and Septage
- Oil & Grease Trap Permits



Fixed Water Service Fee
Industry Standard = 15% to 30% of Service Revenue

Rate Study Schedule



Questions?