

# Memo

To: Board of Supervisors  
From: Dave Ware  
Re: Consider 2022 Sewer Rates and a Proposed Capital Plan  
Date: June 30, 2022

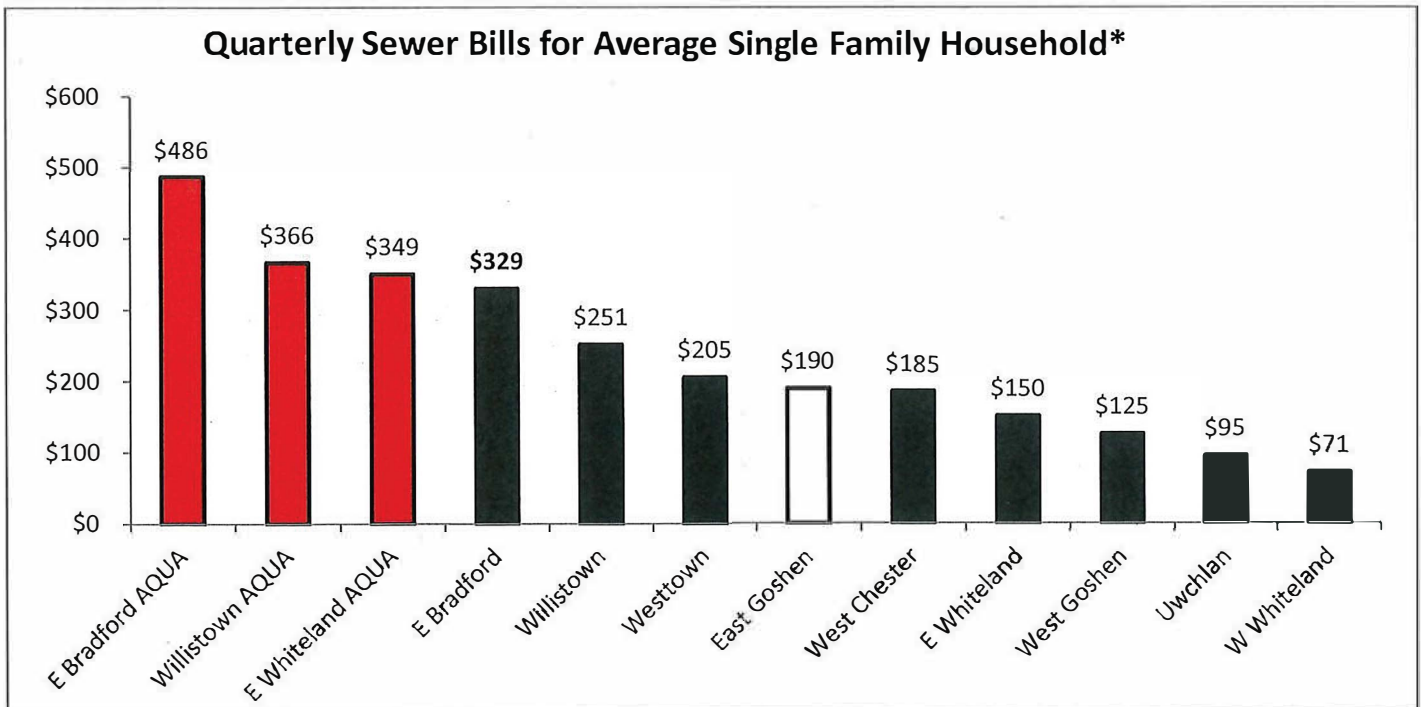
At the request of the Board, I included additional scenarios to evaluate a possible sewer rate change. Questions arose as to what increase is needed to avoid a balance shortfall as opposed to increasing the Sewer Capital Reserve Fund. In essence, what projects and shortfalls are immediate needs versus accruing additional reserve balance? The short answer is that due to a projected revenue shortfall this year, the Ridley Creek Ultraviolet Disinfection System Project, the West Goshen Sewer Authority Capital Improvements, and the Hershey's Mill Estates Sewer Replacement Project, East Goshen Township needs an additional \$1.1M to avoid drawing down our operating and reserve fund balances.

## Analysis of Sewer Rate Options

The Board felt there was not enough notice for rate payers of the increase in my original proposal and that the year one impact beginning with the July 2022 billing may be overly burdensome given the current inflationary climate. As such I have included 2 additional proposed rates. While I still believe the original proposal is the most fiscally prudent, proposal #2 meets the criteria necessary for a lower year one rate payer impact (an 11.8% increase, or \$20 per quarter), while paying for current projects and anticipated revenue shortfall within a two year time frame. It would also eliminate the need to sell to AQUA as many municipalities have, thereby relinquishing rate control, customer service, and sewer expense control. I advocate to maintain control by implementing a modest July 2022 fixed rate increase.

## Comparison to nearby municipalities

At the proposed rate option 2, the average sewer bills in East Goshen will remain in line with those in many nearby communities, as shown below. Those municipalities who have sold to AQUA face staggering rate increases in year 3.



\*For townships that use metered water consumption as the basis for bills (Willistown, West Chester and East Goshen), we assumed 13,838 gallons used per quarter (the average 2022 single family consumption in East Goshen); for townships with different rates based on service districts (Willistown, Westtown, Uwchlan and East Whiteland), we used the highest rate. For townships that do not bill quarterly (Tredyffrin, West Chester and West Whiteland), annual or monthly bills were adjusted to a quarterly basis.

**Recommended Motion:** Madam Chair, I move that we adopt Resolution 2022-13, revising the fee schedule, to amend the Township's sewer rates to \$55.61 per quarter fixed and \$9.70 per thousand gallons variable.

### Calculation of 2022 Sewer Rates

	Original Proposal	Proposal Two	Proposal Three
<b><u>Re-estimated Sewer Expenses 2022</u></b>			
Re-estimated 2022 Fixed Costs	\$1,002,507.66	\$1,002,507.66	\$1,002,507.66
Re-estimated 2022 Variable Costs	\$2,863,626.04	\$2,863,626.04	\$2,863,626.04
<b>2022 Projected Expenses:</b>	<b>\$3,866,133.71</b>	<b>\$3,866,133.71</b>	<b>\$3,866,133.71</b>
<b><u>Re-estimated Sewer Revenue 2022</u></b>			
Re-estimated Non Rental Sewer Revenue 2022	\$144,311.00	\$144,311.00	\$144,311.00
Total Sewer Rental through 6/2022	\$1,783,067.90	\$1,783,067.90	\$1,783,067.90
Total Sewer Rental Projected at Current Rates 7/1-12/1 2022	\$1,783,067.90	\$1,783,067.90	\$1,783,067.90
<b>2022 Projected Revenue with No Rate Change:</b>	<b>\$3,710,446.80</b>	<b>\$3,710,446.80</b>	<b>\$3,710,446.80</b>
<b><u>Additional Revenue Needed</u></b>			
Offset Projected 2022 Loss			
Total 2022 Re-estimated Revenue Shortfall	\$155,686.91	\$155,686.91	\$155,686.91
Current Project - Est. Completion '22/'23			
Ridley Creek Ultraviolet Disinfection System	\$185,000.00	\$185,000.00	\$185,000.00
Current Project - Proj Completion '22/'23			
West Goshen Sewer Authority Capital Improvements	\$215,000.00	\$215,000.00	\$215,000.00
Current Project - Proj Completion '22/'23			
Hershey's Mill Estates Sewer Replacement	\$550,000.00	\$550,000.00	\$550,000.00
Increase Reserves			
Add'l Sewer Reserves Needed for RCSTP & Pump Inventory	\$2,320,604.23	\$77,353.47	\$0.00
<b>Additional Revenue Needed:</b>	<b>\$3,426,291.13</b>	<b>\$1,183,040.38</b>	<b>\$1,105,686.91</b>
<b>Total Sewer Units</b>	<b>6,629</b>	<b>6,629</b>	<b>6,629</b>
Revenue Generated Each Additional 1\$ Quarterly Fixed Rate Increase	\$26,516.00	\$26,516.00	\$26,516.00
<b><u>Current Quarterly Rates as of June 2022</u></b>			
Current fixed rate	\$35.61	\$35.61	\$35.61
Current variable rate	\$9.70	\$9.70	\$9.70
Average SFD bill without rate change	\$169.84	\$169.84	\$169.84
2022/2023 Proposed Annualized Revenue Increase	\$1,060,640.00	\$530,320.00	\$397,740.00
Immediate Revenue Need to Avoid Balance Reduction	\$1,105,686.91	\$1,105,686.91	\$1,105,686.91
Estimated Years for Immediate Revenue Need Replacement	1	2	3

<b><u>Proposed Quarterly Rates as of July 2022</u></b>		<b>Inc</b>			<b>Inc</b>	<b>Inc</b>
Proposed fixed rate	\$75.61	112.3%	\$55.61	56.2%	\$50.61	42.1%
Proposed variable rate	\$9.70	0.0%	\$9.70	0.0%	\$9.70	0.0%
Average SFD bill without rate change	\$209.84	23.6%	\$189.84	11.8%	\$184.84	8.8%
Estimated 2022 Quarterly Increase	\$40.00		\$20.00		\$15.00	
Estimated Total 2022 Annualized Increase	\$160.00		\$80.00		\$60.00	

**\*Please note that the Original Proposal included an annual projected decrease in the fixed rate based on a multi-year Capital Replacement Plan.**