



TOWN OF BETHEL – UTILITIES DEPARTMENT

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Bethel Water Department Water Rate Review and Proposed Increase

October 2023, Rev 11-3-23

Introduction

The Bethel Public Utilities Commission oversees the Public Utilities Department which consists of the Bethel Water and Sewer Departments. These are municipal utilities and are considered enterprise funds in that they are self-supporting government funds that derive all of their revenue from user fees to cover all of their expenses. The Water and Sewer Funds are kept separate and distinct from each other. Revenue derived from the sale of water, permit fees and penalties are used to cover all expenses such as operations, maintenance, administration, debt service and capital improvements

Recent History regarding the Water Department

The Bethel Water Department operated for many years keeping water rates low and not making capital improvements. It operated in a deficit situation and was in arrears to the Town's general fund. A series of water rate increases were proposed and implemented starting in 2007. In 2013 a town wide referendum was held to consider selling the water department assets and control of the water department to Aquarion Water Company. The results of the referendum were to **not** sell the water department and to therefore maintain the Bethel Water department as a municipal system.

Following that clear mandate from the Town, in 2014 the Public Utilities Commission (PUC) developed a long overdue Capital Improvement Plan. This Capital Improvement Plan identified a list of capital improvements totaling over \$85M over a 20 year period. The capital improvements were developed to provide upgrades to the system's aging infrastructure and to correct system deficiencies.

The CT DPH Drinking Water State Revolving Fund program provided low interest loans as well as subsidies to eligible public water systems and Bethel Water Department utilized this program to fund some of the capital improvements which included subsidies of up to 25% on some projects at the time.

In 2016, the water department was under a Consent Order from the Connecticut Department of Public Health (CT DPH) regarding a violation of Total Trihalomethanes Maximum Contaminant Levels in the distribution system, inadequate water pressure in the Briar Cliff Manor area and the proximity of the backwash tank to the clearwell at the Chestnut Ridge Treatment Plant. Bethel Water Department corrected the deficiencies noted in the Consent Order and on March 4, 2019 CT DPH considered the Consent Order closed.

History of Past Rate Increases

The most recent water rate increase was adopted by the Board of Selectman on 12/6/16 for the 5-year period from FY2017 through FY2021. This rate increase included a 3.5% increase per year for the volumetric rate above the minimum and a 3.75% increase per year for the minimum charge.

The previous rate increase occurred in 2011 for a 5-year period from FY2012 through FY2016 and included the following increases: 2012 (35%), 2013 (35%), 2014 (25%), 2015 (5%) and 2016 (3%).

The rate increases proposed prior to that included a 2 yearly increases of 20% between 2007 and 2012.

Summary of Recent Capital Improvements

Since 2014, the PUC has replaced 2 wells, constructed 2 water storage tanks, rebuilt 2 pump stations and constructed 1 new pump station, replaced or added a total of 4 emergency power generators and replaced a total of 17,990 feet of water main with new services to affected customers. The total cost of those improvements was \$14.6M and they received \$1.8M in grant funding through the Connecticut Department of Public Health Drinking Water State Revolving Fund (DWSRF) program.

The Bergstrom Well and Water Treatment Plant project is currently under construction with a project cost of \$12.3M and is eligible for \$4.4M in grants. The Supervisory Control and Data Acquisition project is in design and has a total cost projected to be \$1M and is eligible for a grant of \$640,000.

In summary, the total cost of the Capital Improvements completed plus those in design and construction is \$27.9M and has received or is eligible to receive a total of \$6.8M in grants.

A summary of recent water rate increases is attached as Exhibit A.

Impact of Recent Capital Improvements on Debt Service

A portion of the capital improvement projects have been funded from the CT DPH DWSRF program. Bethel Water Department was able to secure over \$1.8M in grants for projects since 2016 that included \$7.8M in loans. The loans are guaranteed at 2.0% over a 20 year term.

The current Bergstrom Well and Water Treatment Plant project is a new groundwater source and related treatment system that will provide enough supply to meet our average day demand. Once online it will provide 100% redundancy to the existing Maple Ave Wells and allow the aging surface water treatment plants to be taken offline. This source will provide adequate supply to meet the average day and maximum day demands for the 50 year planning period required by CT DPH. This project is projected to be funded by a DWSRF loan of \$7.9M along with a total of \$4.4M in subsidies and will increase debt service. Once this project and the SCADA project are completed, the immediate capital needs will have been met and the future short term capital needs will be funded through operating revenues without incurring additional debt service.

Timing of Proposed Rate Increase

The most recent rate increase was effective January 2021. A rate increase would have been due to be adopted for January 2022 but was delayed due to rapid escalating construction cost estimates for the Bergstrom project and a period of change in the leadership of the Town's governing body. The Bergstrom Well and Water Treatment Plant was still under final design and experienced dramatic cost estimate increases at that time due to supply chain issues during covid-19. It was decided to wait until this project was out to bid and the actual construction costs would be known and leadership issues were settled before proposing a water rate increase. It is proposed to increase water rates for the Fiscal Years 2025 through Fiscal Year 2029, effective the first full billing quarter in 2024.

Comparison of Water Rates in Connecticut

The most recent Tighe & Bond water rate survey was completed in 2019. This survey tracked the water rates of 74 water utilities in Connecticut based on the annual average cost for a usage of 15,000 gallons per quarter. Bethel Water Department's rate was \$459/year and was ranked 31 lowest out of 74 utilities. The low rate was \$133/year, the high rate was \$840/year and the median was \$472/year. The Aquarion water rate in Bethel was \$528/year and ranked 47 out of 74.

A summary of the Tighe & Bond survey is attached as Exhibit B

Water Department Budget

The current Water Department Budget for FY2024 is attached as Exhibit C and includes a comparison with the budget for FY2023.

Recommendation

Option 1 – 5% per year for 5 years FY2025 through FY2029

Option 2 – 10%, 7.5%, 5%, 5%, 5% FY2025 through FY2029

Option 3 – 7.5% per year for 5 years FY2025 through FY2029

Option 4 – 10%, 7.5%, 7.5%, 7.5%, 7.5% FY2025 through FY2029

Option 5 – 10%, 10%, 5%, 5%, 5% FY2025 through FY2029

Option 6 – 20%, 5%, 5%, 5%, 5% FY2025 through FY2029

See Exhibit D for more details.

Tentative Possible Schedule:

10/12/23 PUC Mtg - Discuss

11/9/23 PUC Mtg – Accept rates and forward to BOS to set a date for a Public Hearing

11/21/23 BOS Mtg – set date for PH? Dec 12, Dec 14 (PUC), Dec 19 (BOS), or Dec 20

Need to publish in a newspaper at least 10 days in advance – Dec 1, Dec 3, Dec 8 or Dec 9

1/2/24 BOS Mtg – Adopt Rates

Exhibit A

Date	Rate Increase
FY2021	3.5% Volumetric 3.75% Minimum
FY2020	3.5% Volumetric 3.75% Minimum
FY2019	3.5% Volumetric 3.75% Minimum
FY2018	3.5% Volumetric 3.75% Minimum
FY2017	3.5% Volumetric 3.75% Minimum
FY2016	3%
FY2015	5%
FY2014	25%
FY2013	35%
FY2012	35%
FY2007- FY2012*	20%
FY2007-FY2012*	20%

*two 20% per year rate increases in this time period

Exhibit B

2019 CT Water Rate Survey
Based on 15,000 gal/qt
Prepared by Tighe & Bond

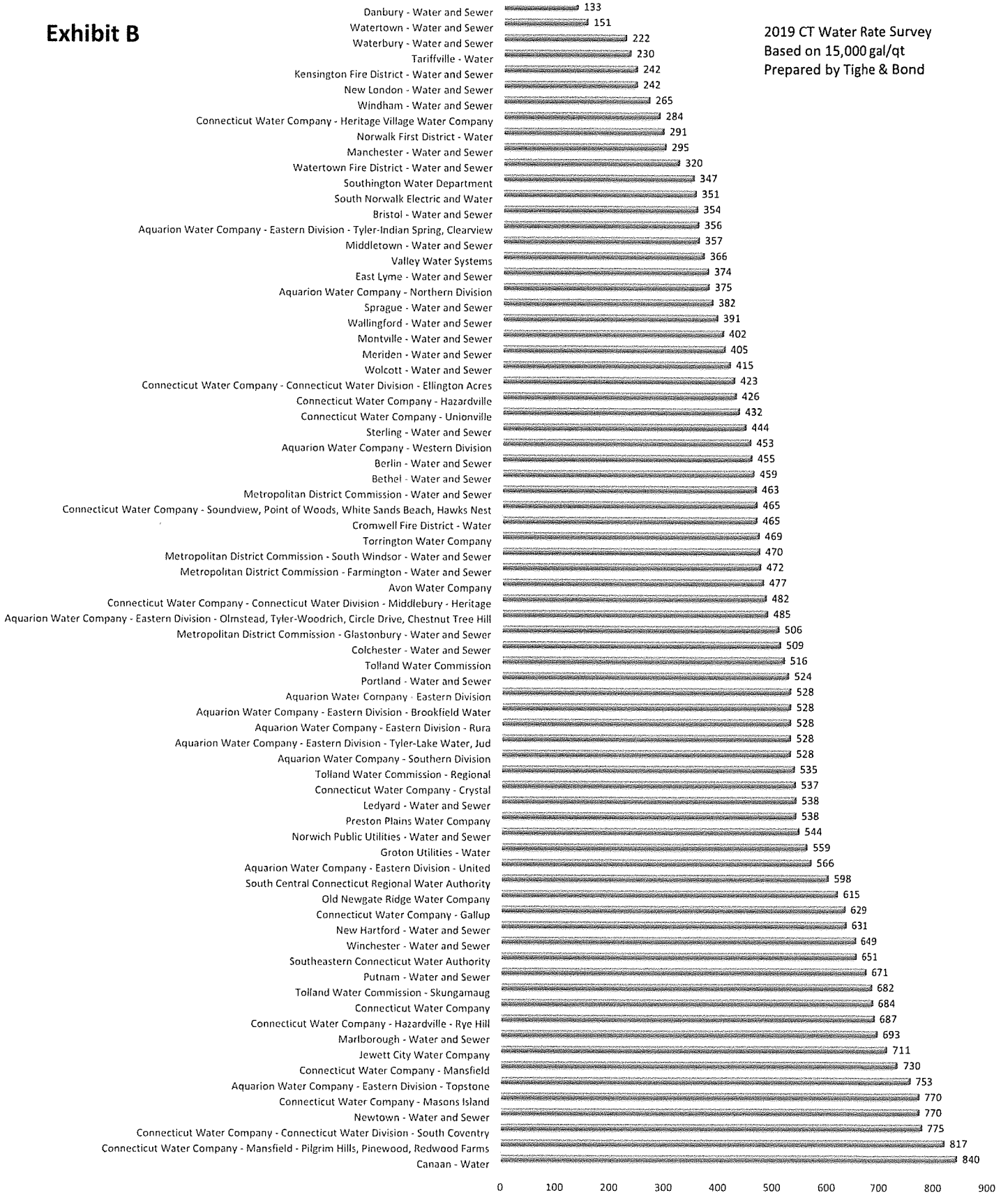


EXHIBIT C

TOWN OF BETHEL
WATER DEPARTMENT
BUDGET 2023-2024

ACCOUNT #	ACCOUNT TITLE	Budget 2022 - 2023	Budget 2023-2024	Difference
Finance				
0210120-5101	Salaries	10,125	10,819	694
0210120-5307	Auditing Services	5,035	5,337	302
	Finance Total	15,160	16,156	996
Collections				
0210150-5101	Salaries	49,457	55,955	6,498
0210150-5201	Office Expense	8,000	8,000	-
	Collection Total	57,457	63,955	6,498
Legal				
0210160-5352	Legal Services	30,000	20,000	(10,000)
0210160-5350	Contingency	20,000	10,000	(10,000)
0210160-5354	Misc. Services	5,000	2,000	(3,000)
	Legal Total	55,000	32,000	(23,000)
I.T.				
0210190-5306	I.T. Allocation	20,000	22,000	2,000
	I.T. Total	20,000	22,000	2,000
Insurance				
0210210-5325	Workers Compensation Insurance	43,338	41,138	(2,200)
0210210-5331	Liability and Property Insurance	28,220	31,324	3,104
	Insurance Total	71,558	72,462	904
Employee Benefits				
0210390-5112	Social Security and Medicare	41,031	42,147	1,116
0210390-5113	Hospitalization	218,316	233,816	15,500
0210390-5115	Retirement	95,030	97,881	2,851
	Employee Benefits Total	354,377	373,845	19,468
Utilities				
0210410-5204	Gasoline	10,000	10,000	-
0210410-5205	Heating Oil	20,000	20,000	-
0210410-5321	Electricity	135,000	142,000	7,000
0210410-5323	Other Utilities	5,000	5,000	-
	Utilities Total	170,000	177,000	7,000
Transfers				
0210750-5651	Transfer Out	643,955	705,144	61,189
	Transfers Total	643,955	705,144	61,189
Adminstration				
0240230-5101	Utility Director	61,500	63,038	1,538
0240230-5101	Administrator	15,500	15,888	388
	Administration Total	77,000	78,926	1,926

Utility Operations				
0240235-5101	Utility Supervisor	53,524	54,616	1,092
0240235-5101	Water Plant Supervisor	85,373	86,995	1,622
0240235-5101	Operators Salary	212,281	227,262	14,981
0240235-5101	Overtime	32,270	34,529	2,259
0240235-5101	Longevity	1,910	1,845	(65)
0240235-5202	Chemical Supplies	32,000	40,000	8,000
0240235-5303	Other Supplies	10,000	8,000	(2,000)
0240235-5206	Equipment Maintenance	5,000	5,000	-
0240235-5207	Plant Maintenance	50,000	50,000	-
0240235-5208	Vehicle Maintenance	5,000	4,000	(1,000)
0240235-5211	Wells and Reservoir Maintenance	36,000	36,000	-
0240235-5213	Service Line Maintenance	50,000	60,000	10,000
0240235-5218	Water Main Maintenance	50,000	45,000	(5,000)
0240235-5221	Meter Maintenance	20,000	40,000	20,000
0240235-5222	Hydrant Maintenance	15,000	15,000	-
0240235-5223	Backflow Device Maintenance	1,000	1,000	-
0240235-5229	Alarm Maintenance	4,000	4,000	-
0240235-5301	Dues and Education	6,500	6,500	-
0240235-5308	Clothing Allowance	2,000	2,000	-
0240235-5313	Contracted Services	50,000	55,000	5,000
0240235-5405	Contracted Services Capital Projects	1,302,000	7,975,500	6,673,500
	Utility Operations Total	2,023,858	8,752,247	6,728,389

Debt Service				
0250440-5645	Interest on State Loans	129,132	125,164	(3,968)
0250440-5646	Principal on State Loans	340,503	353,101	12,598
	Debt Service Total	469,635	478,265	8,630

Depreciation				
0252441-5441	Depreciation	340,000	350,000	10,000
	Depreciation Total	340,000	350,000	10,000

Total Expenses	4,298,000	11,122,000	6,824,000
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**WATER DEPARTMENT
BUDGET 2023-2024**

ACCOUNT #	ACCOUNT TITLE	Budget 2022 - 2023	Budget 2023-2024	Difference
0210750-4751	Interest	-	-	-
0280500-4501	Water Use	2,496,000	2,562,000	66,000
0280500-4505	Penalties	-	20,000	20,000
0280500-4507	Lien Fees	-	-	-
0280550-4508	Permits and Installations	15,000	20,000	5,000
0210850-4852	Anticipated Loans and Grants	1,787,000	8,520,000	6,733,000
		4,298,000	11,122,000	6,824,000

Exhibit D Water Rate Increase Options

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	
Total Expenses	4,298,000	11,122,000						
Transfer Out	-643,955	-705,144						
Capital Projects	-1,302,000	-7,975,000						
Debt Service	-469,635	-478,265						
OMA Expenses	1,882,410	1,963,591	2,042,135	2,123,820	2,208,773	2,297,124	2,389,009	4% per year
Option 1								
Revenue from Water Use	2,496,000	2,562,000	2,690,100	2,824,605	2,965,835	3,114,127	3,269,833	Option 1 Straight 5% per year
Revenue - OMA Expenses	613,590	598,409	647,965	700,785	757,062	817,003	880,825	
Debt Service	-469,635	-478,265	-478,265	-957,400	-957,400	-957,400	-957,400	
Rev-OMA-Debt Service	143,955	120,144	169,700	-256,615	-200,338	-140,397	-76,575	-504,224
Capital Projects			90,000	90,000	90,000	285,000	275,000	830,000
NET (+/-)			79,700	-346,615	-290,338	-425,397	-351,575	-1,334,224
Option 2								
Revenue from Water Use		2,562,000	2,818,200	3,029,565	3,181,043	3,340,095	3,507,100	Option 2 10%, 7.5%, 5%, 5%, 5%
Revenue - O&M Expenses		598,409	776,065	905,745	972,270	1,042,972	1,118,091	
Debt Service		-478,265	-478,265	-957,400	-957,400	-957,400	-957,400	
Rev-OMA-Debt Service		120,144	297,800	-51,655	14,870	85,572	160,691	507,279
Capital Projects			90,000	90,000	90,000	285,000	275,000	830,000
NET (+/-)			207,800	-141,655	-75,130	-199,428	-114,309	-322,721
Option 3								
Revenue from Water Use		2,562,000	2,754,150	2,960,711	3,182,765	3,421,472	3,678,082	Option 3 Straight 7.5% per year
Revenue - O&M Expenses		598,409	712,015	836,891	973,992	1,124,348	1,289,074	
Debt Service		-478,265	-478,265	-957,400	-957,400	-957,400	-957,400	
Rev-OMA-Debt Service		120,144	233,750	-120,509	16,592	166,948	331,674	628,455
Capital Projects			90,000	90,000	90,000	285,000	275,000	830,000
NET (+/-)			143,750	-210,509	-73,408	-118,052	56,674	-201,545
Option 4								
Revenue from Water Use		2,562,000	2,818,200	3,029,565	3,256,782	3,501,041	3,763,619	Option 4 10%, 7.5%, 7.5%, 7.5%, 7.5%
Revenue - O&M Expenses		598,409	776,065	905,745	1,048,010	1,203,917	1,374,610	
Debt Service		-478,265	-478,265	-957,400	-957,400	-957,400	-957,400	
Rev-OMA-Debt Service		120,144	297,800	-51,655	90,610	246,517	417,210	1,000,483
Capital Projects			90,000	90,000	90,000	285,000	275,000	830,000
NET (+/-)			207,800	-141,655	610	-38,483	142,210	170,483
Option 5								
Revenue from Water Use		2,562,000	2,818,200	3,100,020	3,255,021	3,417,772	3,605,750	Option 5 10%, 10%, 5%, 5%, 5%
Revenue - O&M Expenses		598,409	776,065	976,200	1,046,248	1,120,648	1,216,741	
Debt Service		-478,265	-478,265	-957,400	-957,400	-957,400	-957,400	
Rev-OMA-Debt Service		120,144	297,800	18,800	88,848	163,248	259,341	828,038
Capital Projects			90,000	90,000	90,000	285,000	275,000	830,000
NET (+/-)			207,800	-71,200	-1,152	-121,752	-15,659	-1,962
Option 6								
Revenue from Water Use		2,562,000	3,074,400	3,228,120	3,389,526	3,559,002	3,736,952	Option 6 20%, 5%, 5%, 5%, 5%
Revenue - O&M Expenses		598,409	1,032,265	1,104,300	1,180,753	1,261,879	1,347,944	
Debt Service		-478,265	-478,265	-957,400	-957,400	-957,400	-957,400	
Rev-OMA-Debt Service		120,144	554,000	146,900	223,353	304,479	390,544	1,619,276
Capital Projects			90,000	90,000	90,000	285,000	275,000	830,000
NET (+/-)			464,000	56,900	133,353	19,479	115,544	789,276

Projected 5 Year Capital Projects

	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Bergstrom Construction		-				
SCADA Design		-				
SCADA Costruction		-				
Valve replacements		25,000	25,000	25,000	25,000	25,000
Hydrant replacements		15,000	15,000	15,000	15,000	15,000
Meter / MIU Replacements		30,000	30,000	30,000	30,000	30,000
Lead Service Line Replacements		20,000	20,000	20,000	20,000	20,000
Maple Ave Well Facility Upgrades					195,000	185,000
Sum of Capital		90,000	90,000	90,000	285,000	275,000

Maple Ave Improvements

		2014 Cost	2025 Cost
FY28	o New 250kW Generator and ATS	114,000	194,940
FY29	o Remove roofing and install new asphalt shingles	8,000	13,680
FY29	o Install chemical containment.	50,000	85,500
FY29	o Separate generator from the chemical storage area.	50,000	85,500