

EXECUTIVE SUMMARY OF SEWER RATE STUDY

The Town of Merrimac initiated an evaluation of their current sewer rates to review the impacts of significant sewer capital improvements in the planning phase and increased costs to operate the sewer system including increased costs of annual repairs required to keep the Wastewater Treatment Facility (WWTF) in operation. The Town recently completed a Facilities Plan for the WWTF to evaluate the existing conditions and required improvements to the WWTF. The findings of the Facilities Plan were that the WWTF was aged and should consider improvements estimated to cost \$20 to \$22 million.

Sevee & Maher Engineers, Inc. (SME) completed a Sewer Rate Study for the Town of Merrimac to evaluate the current sewer rates, determine the adjustments needed to complete the recommended findings in the Wastewater Treatment Facilities Plan, and compensate for the increased costs of operation. As part of the rate study, the necessary revenues were evaluated to meet existing and future operating and capital revenue requirements over a 5-year planning period.

SME evaluated the sewer rates and projected the sewer account balance or retained earnings at the end of each year of the 5-year planning period. The balance was estimated based on the annual beginning account balance, the total sewer revenue, and the total cost of service. If the Town maintains existing sewer rates, the wastewater department is projected to be operating at a deficit as soon as 2023. This is the result of increased operating costs and planned capital expenditures. The wastewater department is then projected to deplete its retained earnings account in early 2024 and significant negative account balances are projected in 2024, 2025, and 2026.

The findings of the Sewer Rate Study include recommendations that the Town increase sewer rates to cover the increased cost of operation, finance planned capital expenditures and improvements, and maintain an adequate sewer account balance. To accommodate the findings of SME's Rate Study, it is recommended that sewer rates increase by 18 percent. A rate increase of 18 percent will permit the Sewer Department to maintain a positive operating balance throughout the planning period. The sewer rates should be monitored annually to review actual revenue versus costs and re-evaluated after 5 years to determine if the rates are appropriate for the Town's future operating costs and capital improvements.

SME's rate study was presented to the Merrimac Select Board on February 14, 2022. It is understood that the Board was hesitant to support an 18 percent sewer rate increase and proposed a 12 percent rate increase instead. SME evaluated the wastewater department's operating balance with a 12 percent rate increase over the 5-year planning period and based on the information provided, the wastewater department would be operating at a deficit in 2026. If a 12 percent rate increase is instituted at this time, SME highly recommends that the Town evaluate the total cost of service and revenues annually and consider future rate increases to ensure that the wastewater department maintains a positive operating balance.