



NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY NBCMA Rate Amendment: Executive Summary

- **RATE STUDY ANALYSIS / IMPLEMENTATION**

The Authority 5 Year Strategic Plan was developed and adopted at its April 2016 Board meeting. The Board recognized our needs and engaged the professional services of HRG of Harrisburg, PA for purposes of conducting a comprehensive financial rate study analysis for presentation to the Board prior to the end of our fiscal year for consideration. Deliberation of water and sanitary sewer rate setting was completed in time for inclusion into the Authority's 2017 operational / capital budget adoption. Prior rates for water and sewer services were eroding our financial reserves to support our ongoing capital and operational requirements as they had not be amended for many years.

The rate increase was passed at the Authority's public meeting in November 2016 with an effective date of February 2017. Details of the rate study can be viewed by visiting the Authority website www.nbcmatoday.org "In the News" for the Revised Water & Sewer Rate Analysis / Herbert, Rowland & Grubic for more detailed information.

- **Considerations in Setting Revenue Requirements**

There were a multitude of considerations, ranging from financial to legal, which we analyzed during the revenue requirements process of a rate analysis, including the Capital Budgeting and Financing Capital needs as defined by the Authority's 5 year Strategic Plan. As part of that planning process, the Authority identifies capital improvements that are necessary for the continued delivery of clean, safe, drinking water and treatment of wastewater in accordance with increasingly stringent EPA standards. The Capital Improvement Plan can be funded by a variety of sources including system water and sewer rates, debt, connection (tapping) fees, and capital reserves.

- **Overview of the Rate Setting Process**

The scope of this study included the development of cost-based sewer user charges through a comprehensive cost of service and rate design analysis. Authority service rates must be set at a level where an Authority's operating and capital expenses are met with the revenues received from customers. This is a significant point, as failure to achieve this level could lead to a situation where insufficient funds are available to adequately maintain the system, meet contractual or environmental regulations. A comprehensive rate study consists of following three interrelated analyses:

- **Financial Planning/Revenue Requirements Analysis:**

A multi-year plan to support an orderly, efficient program of on-going maintenance and operating costs, capital improvement and replacement activities, debt financing, and retirement of any outstanding debt. In addition, the long-term plan will fund and maintain reserve balances to adequate levels based on industry standards and Authority fiscal policies and strategy.

- **Cost of Service Analysis:**

Identifies and apportions annual revenue requirements based on customers demand on the Authority's system.

- **Rate Design:**

An equitable and proportionate fixed/variable schedule of rates to recover the costs of the Authority. The policy objectives are harmonized with cost of service objectives to achieve the delicate balance of equity, financial stability and resource conservation goals. Rate Design Analysis considers both the level and structure of the rate design to collect the appropriate and targeted level of revenues to achieve those long term objectives.

The rate study analysis completed by HRG was specifically tasked with developing a rate structure to meet the short term and long term needs of the Authority in support of the adopted Authority's 5 year Strategic Plan. Once the new rates were adopted in November 2016, the Authority sent a newsletter "The Authority" to every customer. Articles were also published in the Bucks County Courier Times.