

Date: February 10, 2026

TO: Mayor William Martin; Council President Jim Ringsaker; Council Members Casandra Boyer, Tammy Lynn Schneegas, Vicki Jones, Johnny Boker and Matthew Ellis

FROM: Havre de Grace Water/Sewer Commission

SUBJECT: **Annual Report of the *State of the Havre de Grace Water/Sewer Fund 9***

REFERENCE: **City Code Chapter 25 Article XI, Section 25-69B**

Included in this Annual Report are the following elements:

- I. State of the Water /Sewer Fund and Summary for Fiscal Year 2025 (FY25)
- II. Year to Date Overview of Current Fiscal Year 2026 (FY26)
- III. Challenges for Fiscal Year 2027 (FY27)
- IV. Recommendations for Fiscal Year 2027 (FY27)

**I. STATE OF THE WATER/SEWER SYSTEM FUND (FY25 (July 1, 2024 – June 30, 2025))**

Operating Revenue: FY25 ended with the Water/Sewer System (Fund 9) operating revenue at \$8,240,050; \$441,150 below budget expectations.

Operating Expenses: The year-end operating expenses (less depreciation) were \$8,745,873; \$302,827 under budget expectations.

Operational Profit/Loss: The overall results were \$505,823 which was \$138,323 below budget expectations.

Capital Cost Recovery Fees (CCRF): CCRF collected for FY25 totaled \$4,306,180; \$1,762,680 above the budget expectations, and \$1,193,089 above what was required to meet the debt obligation.

Infrastructure Replacement Fee (IRF), Capital Bond Proceeds and State Grants: IRF for FY25 was \$809,900 which was \$16,800 above budget expectations. FY25 receipts from the Capital Bond issues were \$3,885,445. The remain outstanding bond capacity is \$147,036.

Capital Improvements and Debt Expenses: Capital and Debt expenses totaled \$7,199,035. Of this amount \$3,113,091 was applied to Debt Service obligations, and \$4,085,944 to Capital Improvements. Capital Improvements were less than budget expectations by \$1,362,556 due primarily to Delayed Capital Improvements.

Total Capital Improvements and Debt Profit/Loss: Profit for FY25 were \$1,900,288 as compared to losses of \$1,782,899 in FY24. The primary cause of the Capital Profit was due to higher than expected revenues from Capital Cost Recovery fees .

Fund Balance: A fund balance of \$1,746,831 was carried into FY25 as compared to a fund balance of \$1,217,699 in FY24. Fund 9 earned \$2,956,686 in fiscal 2025, resulting in an ending fund balance of \$4,703,517. Capital projects plus debt obligations totaled \$7,199,035 in FY 2025, which was less then total CCRF, IRF Fees, bond and grant proceeds by \$1,900,228. The City will need to draw down the remaining portion of the 2023 Bond to

continue meeting future infrastructure improvement needs. These needs in future years will exceed the 2023 Bond and will require additional debt. Since the city's debt capacity will not be adequate in the immediate future, the city should work with its state legislators for state funding of infrastructure repairs and improvements.

Capital Cost Recovery Fees (CCRF):

FY25 realized a total of 168 new sewer and 177 new water connections, an average of 72.5 greater than the 100 included in the budget as compared to 163 connections in FY24. New connections are represented by Bulle Rock and Blenheim Farm developments, as well as "fill-in" construction.

While an increase from FY24, there is still a robust housing market in the City (Greenway Farms, Bulle Rock and Scenic Manor) and a continued interest in "in-fill" construction. While revenues generated from CCRF are intended to support the Capital Improvement Plan (CIP), CCRF revenues have historically been directed to support the debt obligation. Shortfalls must be supplemented either by the "Infrastructure Replacement Fee", or contributions funded from Operations which rely on rates to balance its financial obligations.

Relying on CCRF revenues becomes increasingly risky as the availability of connections in the coming years lessens due to system capacity, which negatively impacts the availability of revenues to invest in Capital Improvements.

### **SUMMARY OF FISCAL YEAR 2025**

The challenge of the Water / Sewer Commission is to propose ways to generate adequate revenue to: (1) Cover the \$1.84M annual debt service payment required to cover the cost of expanding the capacity of the City's owned Waste Water Treatment Plant (WWTP) by approximately 80% and the additional Enhanced Nutrient Removal costs needed to treat that increased capacity; (2) Cover the \$191,300 annual debt payment incurred from the bond issuance for improvements at the Water Treatment Plant (WTP); (3) Cover the \$1.3 million annual debt service payment needed to cover the \$15 million from the bond issuance to finance water distribution and waste water collection infrastructure replacement and expansion (4) Cover the operational costs at both the WWTP and WTP, and (5) Cover the investment necessary to maintain a healthy Capital Improvement Plan (CIP) that addresses the water distribution and waste water collection infrastructure, much of which is either approaching or exceeded the end of its anticipated useful life.

Funds to address each of the aforementioned challenges are generated by three distinct revenue sources: (a) Connection fees and CCRF; (b) Rates charged to customers for the purchase of water (which includes a sewage rate component) and (c) the Infrastructure Replacement Fee (IRF). All combined the revenue sources from (a) and (c) historically continue to underperform the revenue necessary to meet the City's obligations for any realistic CIP. **Note: 133 new connections annually are required to fully meet the current debt obligation even after the City raised the fees for FY24.**

For FY25 \$1,473,214 of American Rescue Plan Act of 2021(ARPA) funds were spent on specific capital projects within the CIP programs for Fund 9 All ARPA funding for Fund 9 has been fully spent.

As stated in previous Water/Sewer Commission Reports, to generate additional revenue without increases in rates and/or fees, the goal is to increase both usage and connections. Although the implementation of the IRF infused much needed revenue into the revenue equation, it by itself only represents about 24% of the total amount of revenue needed to satisfy the current debt obligation, which then becomes dependent upon connection revenues generated from the CCRF and operating revenues.

The Mayor and City Council recognize the vulnerability of the Water/Sewer Fund and continued their planned approach to address the shortfalls by implementing the following measures: (1) Raising Capital Cost Recovery Fees by 8% in FY24 (2) continue the public out-reach program to educate the citizens on the challenges of Fund 9; (3) continue the strategy through the Department of Economic Development to encourage future economic growth through aggressive efforts to attract high volume water users; (4) continue to focus on our available housing inventory through marketing campaigns that focus on: (a) our many park improvements: (b) our recognition as a “Safe City” and (c) our diverse offering of “family friendly” events; (5) continue supporting the capital investment plan at the WTP to increase production capacity; and (6) remain open to any negotiations with Harford County to be an available water resource.

Revenues from the Aberdeen water agreement will offset debt and expenses associated with the new water line construction and provide residual revenue to support Fund 9. Aberdeen started receiving water in October 2024.

In summary Total capital improvement and debt losses were down resulting in a Fund 9 positive balance of \$4,703,517 in FY 2025.

## **II. YEAR TO DATE OVERVIEW OF CURRENT FISCAL YEAR 2025 (FY25)**

The Commission remains confident that the challenges of the Water/Sewer Fund are both recognized and understood by the Mayor and City Council. This is most evident by the following Mayor and Councils actions: (a) the continued development and prioritization of a detailed Capital Improvement Plan (CIP); (b) embracing the need for affordable long term debt financing to address the infrastructure in short order; (c) increasing Capital Cost Recovery Fees; (d) updating the Water Distribution and Wastewater Collection Engineering Model to meet anticipated demand with the current development; (e) the city has procured a vendor to collect and manage the financial and operational data for Fund 9; (f) the establishment to a capital reserve fund for Fund 9.

## **III. CHALLENGES FOR FISCAL YEAR 2027(FY27)**

1. The direction of the economy and hence the housing market will be a major driver of the financial outcome through CCRF and rate revenues for Fund 9 in FY26.
2. The overall health and short-term outlook of Fund 9 is dependent upon revenues generated by the IRF, metered rates and most importantly the CCRF.
3. The additional debt obligation deferred to the end of the loans associated with the sewer plant upgrade will become due over the next two fiscal years.
4. The implementation of water system improvements identified by the recently completed water model studies including the future need for two new water storage towers.
5. Continued public/private partnerships will be required to meet the needs for continued land development.

**IV. RECOMMENDATIONS FOR FISCAL YEAR 2027(FY27)**

As required by Chapter 25 Article XI, Section 25-69B of the City Code the following are Recommendations for FY27.

1. In anticipation for future bonds, it would be advantageous for the city to have established a debt service fund.
2. Encourage the city administration to continue to apply for grant opportunities.
3. Continue to collect and analyze data using WaterWorth in pursuit of the potential implementation of graduated rates which would more equitably distribute cost across the various classes of customers.
4. The Director of Public Works should continue to update the CIP annually, and seek all Capital Improvement Grant opportunities.
5. The Commission continues to be concerned with the annual cumulative effects of inflation on Fund 9 sustainable revenue requirements. To address this issue the Commission strongly recommends the implementation of a legislatively mandated annual “rate” increases to meet the annual increases in **Operating Costs** to maintain rising employee and chemical costs should be considered. Inflationary rate increases should be imposed even in years when the increase is small. This mitigates the detrimental effects of compounding inflation rates over time. Routinely increasing rates to keep up with operating costs helps avoid allocating funds intended for the CIP over to operations. The Administration should also be sensitive to any pressure to use water and sewer rate revenue to service debt.
6. The city should commission a study to compare Havre de Grace water/sewer rates to private and private systems. The purpose of this study will be to gather peer systems best practices for revenue generation, cost-to-serve recovery strategies and debt service methodologies. Using the data from WaterWorth, the city can assess the effectiveness of the city’s existing rate structure and identify potential improvements.

Respectfully Submitted,  
***Havre de Grace Water/Sewer Commission***  
Abdullahi Abdi – Director of Finance  
Joe Conaway – Director of Public Works  
George Kasnic – Citizen Member  
Chris Ricci – Director of Administration  
CP Jim Ringsaker – Council Member  
Rodney Swam – Citizen Member  
Fred Wills – Citizen Member  
Dan Wusinich – Citizen Member & Chair

<b>TERM</b>	<b>ACRONYM</b>
American Rescue Plan Act	ARPA
Capital Cost Recovery Fees	CCRF
Capital Improvement Plan	CIP
Infrastructure Replacement Fee	IRF
Waste Water Treatment Plant	WWTP
Water Treatment Plant	WTP



# City of Havre de Grace Water & Sewer Commission

## Annual Report & Recommendations

By Authority of  
Havre de Grace City Code 25  
Article XI

February 17, 2026



# **Fiscal Year 2025 State of the Water/Sewer Fund**



# Summary Of Fiscal Year 2025

• Operating Profit	\$ 505,823
• CCRF	\$ 4,306,180
• Infrastructure Replacement Fee	\$ 809,900
• Bond Proceeds & Grants	<u>\$ 3,885,445</u>
• <b>Funds Available</b>	<b>\$ 9,507,348</b>
• Debt Service 3,113,091	\$
• Capital Projects	<u>\$ 4,085,944</u>
• <b>Capital Uses</b>	<b>\$ 7,199,035</b>
• Net Change in Fund Balance (Profit)	\$ 2,956,686
• Fund Balance Beginning of Year	<u>\$ 1,746,822</u>
• <b>Fund Balance End of Year</b>	<b>\$ 4,703,517</b>



# Summary Of Connections Year 2025

## CCRF Performance

	Water	Sewer
• Projected Connection	100	100
• Actual Connections	<u>177</u>	<u>168</u>
• Variance	+77	+68

Note: 135 Connections Required To Meet Debt Obligations

• Projected CCRF	\$ 2,543,500
• Actual CCRF	<u>\$ 4,306,180</u>
• Variance	\$ 1,762,680



# **Year to Date Overview of Current Fiscal Year 2026**



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The Commission remains confident that the challenges of the Water/Sewer Fund are both recognized and understood by the Mayor and City Council. This is most evident by the following Mayor and Council actions:

- The continued development and prioritization of a detailed Capital Improvement Plan (CIP)
- Embracing the need for affordable long term debt financing to address the infrastructure in short order
- Increasing Capital Cost Recovery Fees
- Updating the Water Distribution and Wastewater Collection Engineering Model to meet anticipated demand with the current development
- The city has procured a vendor to collect and manage the financial and operational data for Fund 9
- The establishment to a capital reserve fund for Fund 9



# Challenges for Fiscal Year 2027



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- The additional debt obligation deferred to the end of the loans associated with the sewer plant upgrade will become due over the next two fiscal years.
- The implementation of water system improvements identified by the recently completed water model studies including the future need for two new water storage towers.
- Continued public/private partnerships will be required to meet the needs for continued land development.



# Recommendations for Fiscal Year 2027



# Recommendations for Fiscal Year 2027

As required by City Code Chapter 25 Article XI, Section 25-69B, the Commission submits the following recommendations:

- 1) In anticipation for future bonds, it would be advantageous for the city to have established a debt service fund.
- 2) Encourage the city administration to continue to apply for grant opportunities.
- 3) Continue to collect and analyze data using WaterWorth in pursuit of the potential implementation of graduated rates which would more equitably distribute cost across the various classes of customers.
- 4) The Director of Public Works should continue to update the CIP annually, and seek all Capital Improvement Grant opportunities.



# Recommendations for Fiscal Year 2027

- 5) The Commission continues to be concerned with the annual cumulative effects of inflation on Fund 9 sustainable revenue requirements. To address this issue the Commission strongly recommends the implementation of a legislatively mandated annual “rate” increases to meet the annual increases in Operating Costs to maintain rising employee and chemical costs should be considered. Inflationary rate increases should be imposed even in years when the increase is small. This mitigates the detrimental effects of compounding inflation rates over time. Routinely increasing rates to keep up with operating costs helps avoid allocating funds intended for the CIP over to operations. The Administration should also be sensitive to any pressure to use water and sewer rate revenue to service debt.



# Recommendations for Fiscal Year 2027

- 6) The city should commission a study to compare Havre de Grace water/sewer rates to public and private systems. The purpose of this study will be to gather peer systems best practices for revenue generation, cost-to-serve recovery strategies and debt service methodologies. Using the data from WaterWorth, the city can assess the effectiveness of the city's existing rate structure and identify potential improvements.



# Havre de Grace Water/Sewer Commission

## Respectfully Submitted:

- Abdullahi Abdi – Director of Finance
- Joe Conaway – Director of Public Works
- George Kasnic – Citizen Member
- Chris Ricci – City Administrator
- CP James Ringsaker - Council Member
- Rodney Swam – Citizen Member
- Fred Wills - Citizen Member
- Dan Wusinich – Citizen Member & Chair