

the water fund will be drawn down annually to help offset the large increase in the annual debt service required to fund this project.

The table on page 4 indicates the draw down schedule for the water fund. The utilization of water fund balance to lessen the impact of the new debt service combines with the rapid drop-off in existing debt service (primarily associated with the cover for the treated water facility located at Payson Park) to limit projected annual water rate increases to the vicinity 7% annually, despite the increase of approximately \$8,000,000 in annual debt service associated with the \$77,000,000 treatment plant.

The first debt on the treatment plant was issued in July of 1998 (\$40,000,000) an additional \$22,000,000 issued this past summer and fall with the balance to be issued in 2001. As the table on page 4 illustrates, the debt service on water projects is expected to total over \$8,000,000, next year, an amount equal to approximately 51% of the total costs related to the delivery of water to consumers. It should be noted that the water increase for FY01 would have been over 16% had the City not obtained a portion of the debt through the Massachusetts Water Pollution Abatement Trust which provides a forgiveness of small percentage of interest on the debt. While the construction of the water treatment plant is currently on schedule, there remains a chance that the target date for the treatment and distribution of water from the new plant could slip a few months. Should this occur additional costs will be incurred by the City for the purchase of water from the MWRA.

TABLE 1
Combined Water/Sewer Metered Revenue

	Revised	Projected	% Change
Water	\$11,600,000	\$12,992,000	12%
Sewer	\$19,513,000	\$20,489,224	5%
Combined Water/Sewer Revenue	\$31,113,000	\$33,481,224	7.6%

TABLE 2
Average Change to Residential Water/Sewer Bills

Residential Type	FY00 Estimated	FY01 Projected	Variance	% Change
Single Family	\$614.40	\$661.10	\$46.70	7.6%
Two Family	\$748.54	\$805.43	\$56.89	7.6%
Three Family	\$1,105.92	\$1,189.97	\$84.05	7.6%

SENIOR DISCOUNT PROGRAM

The City continues to offer the Senior Citizen Discount Program for water and sewer use. This program gives either a 10% or 25% discount on water/sewer bills, depending on certain qualifications. Any resident who owns and occupies his or her home and who is 65 or older on July 1 qualifies for the 10% discount. This discount may not exceed \$60 for the fiscal year. To qualify for the 25% discount, a homeowner must be 70 or older and must have been granted the clause 41C Elderly Real Estate Exemption, which is based on demonstrated financial need. This discount may not exceed \$150 for the fiscal year. During FY00, over 2,600 households took advantage of the discount programs, at a savings of over \$200,000.

FUTURE OUTLOOK FOR RATES

Table 3, 4 and 5 contain five-year forecasts of water and sewer revenue requirements. As already stated, water rates are projected to increase in the vicinity of 7% annually after this year's 12% increase. Sewer projections are based upon a projected 4% annual increase in the MWRA sewer charge to the City (a charge largely beyond our control and which could be higher than 4% annually) and the City's projected sewer capital improvement program with work slated for Harvard Square, Agassiz Neighborhood, Cherry Street, Pine Street, South Massachusetts Avenue, Fresh Pond Parkway, New Street and Bellis Circle.

The City is currently involved in massive infrastructure improvement projects in both water and sewer services. Together these projects total over \$100,000,000 and are vital to the City's environmental infrastructure. This City Council should take great pride in the fact that through sound planning, both financial and engineering, the City is able to undertake these projects which upon their completion will serve the people of Cambridge well into the 21st century.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert W. Healy", written over a horizontal line.

Robert W. Healy
City Manager

Table I
Water Projections FY00-05
(Revised 3/11/00)

Water Expenditures:		FY00	FY01	FY02	FY03	FY04	FY05
		Revised	Projected	Projected	Projected	Projected	Projected
1 Operating		4,208,460	6,801,905	7,649,905	7,955,901	8,274,137	8,605,102
2 Existing Debt		6,638,416	8,005,118	6,850,934	6,691,028	6,530,028	6,312,895
3 New Debt		330,701	174,775	1,722,817	2,276,230	2,230,644	2,184,582
4 Capital		1,500,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
5 Finance		185,000	185,000	185,000	185,000	185,000	185,000
6 Conservation		6,870	6,870	6,870	6,870	6,870	6,870
7 Public Works		147,000	147,000	147,000	147,000	147,000	147,000
8 Community Development		30,000	30,000	30,000	30,000	30,000	30,000
9 Subtotal		13,046,447	16,450,668	17,692,526	18,392,029	18,503,679	18,571,449
10 To Fund Balance		476,127	-	-	-	-	-
11 Total		13,522,574	16,450,668	17,692,526	18,392,029	18,503,679	18,571,449
Assumptions:							
1) Operating Budget increases 61.5% in FY01, 12.5% in FY02, and 4% in FY03-05.							
2) New debt is based on \$12,000,000 loan from the MWPAT in December, 2000 and \$4,700,000 in General Obligation bonds for the remainder of the Treatment Plant (\$3,700,000) and Stony Brook Conduits (\$1,000,000) in July, 2001 and \$2,000,000 for water main replacement in July, 2002.							
3) Capital as shown.							
4) All others remain constant.							
Revenue / Change in Fund Balance							
1 Beginning Fund Balance		9,161,410	9,637,537	7,736,466	5,352,061	3,243,554	2,068,228
2 Meter Revenue		11,600,000	12,992,000	13,773,800	14,772,966	15,842,073	16,986,018
3 Miscellaneous Water Charges		920,000	920,000	920,000	920,000	920,000	920,000
4 Interest		900,000	-	-	-	-	-
5 MWPAT Subsidy		102,574	637,597	614,321	590,556	566,280	541,448
6 From Fund Balance		-	1,901,071	2,384,405	2,108,507	1,175,326	123,983
7 Total Revenue		13,522,574	16,450,668	17,692,526	18,392,029	18,503,679	18,571,449
8 Total Expenditures		13,046,447	16,450,668	17,692,526	18,392,029	18,503,679	18,571,449
9 To Fund Balance		476,127	-	-	-	-	-
10 From Fund Balance		-	1,901,071	2,384,405	2,108,507	1,175,326	123,983
11 Ending Fund Balance		9,637,537	7,736,466	5,352,061	3,243,554	2,068,228	1,944,245
12 Projected Rate Increase			12.0%	6.0%	7.3%	7.2%	7%

Table II
Sewer Projections FY00-05
(Revised 3/13/00)

	Sewer Expenditures:						
		FY00	FY01	FY02	FY03	FY04	FY05
		Revised	Projected	Projected	Projected	Projected	Projected
1	Public Works	1,347,255	1,392,630	1,448,335	1,506,269	1,566,520	1,629,180
2	Capital	3,700,000	3,450,000	1,200,000	1,200,000	1,200,000	1,200,000
3	Existing Debt	2,730,946	2,710,979	2,741,577	2,719,412	2,283,223	1,637,204
4	New Debt	-	619,641	4,311,925	6,816,235	8,179,590	9,493,995
5	Finance	185,000	185,000	185,000	185,000	185,000	185,000
6	Community Development	30,000	30,000	30,000	30,000	30,000	30,000
7	MWRA	13,820,450	14,353,924	14,928,081	15,525,204	16,146,212	16,792,061
8	Total	21,813,651	22,742,174	24,844,918	27,982,120	29,590,545	30,967,440
	Assumptions:						
	1) MWRA increases 4% annually.						
	2) Public Works increases by 3.4% in FY01 and 4% in FY02-05.						
	3) Capital funded at \$3,450,000 in FY01 and \$1,200,000 in FY02-05.						
	4) Debt Service increases according to Capital Plan.						
	5) All others remain constant.						
	Financing Plan						
1	Sewer Service Charge	19,513,547	20,489,224	21,664,386	23,901,766	25,831,706	27,516,501
2	Non-Metered Sewer Revenues	825,000	825,000	825,000	825,000	825,000	825,000
3	MWPAT Subsidy	1,475,104	1,427,950	2,355,532	3,255,354	2,933,839	2,625,939
4	Total	21,813,651	22,742,174	24,844,918	27,982,120	29,590,545	30,967,440
5	% Increase	-	5.0%	5.7%	10.3%	8.1%	6.5%

Table III
Combined Water / Sewer Projections
FY00-05

	FY00	FY01	FY02	FY03	FY04	FY05
Water	11,600,000	12,992,000	13,773,800	14,772,966	15,842,073	16,986,018
Sewer	19,513,547	20,489,224	21,664,386	23,901,766	25,831,706	27,516,501
Total	31,113,547	33,481,224	35,438,186	38,674,732	41,673,779	44,502,519
% Increase	-	7.6%	5.8%	9.1%	7.8%	6.8%



City of Cambridge

Agenda Item No. 1

IN CITY COUNCIL

March 20, 2000

ORDERED: That the following block rate for water consumption and sewer use in the City of Cambridge be in effect for the period beginning April 1, 2000 and ending March 31, 2001.

	<u>Annual Consumption</u>	<u>Water Rate (Per Ccf)*</u>	<u>SewerRate (Per Ccf)*</u>
Block 1	0-40 Ccf	\$2.22	\$3.71
Block 2	41-400 Ccf	\$2.40	\$3.93
Block 3	401-2,000 Ccf	\$2.53	\$4.03
Block 4	2,001-10,000 Ccf	\$2.70	\$4.56
Block 5	Over 10,000 Ccf	\$2.91	\$4.83

*Ccf or 100 Cubic Feet, is the unit the City uses to measure water consumption. One Ccf is approximately 750 gallons; and be it further

ORDERED: That the Senior Citizens Discount Program as established in FY91 be continued. This program, gives either a 10 percent or 25 percent discount on water/sewer bills, depending upon certain qualifications. Any resident who owns or and occupies his/her own home and who is 65 or older on July 1 qualifies for the 10 percent discount. This discount may not exceed \$60 for the fiscal year. To qualify for the 25 percent discount, a homeowner must be 70 years of age or older and must have been granted the Clause 41C Elderly Real Estate Exemption, which is based on the demonstrated financial need. This discount may not exceed \$150 for the fiscal year.

In City Council March 20, 2000.

Adopted by a ye and nay vote:-

Yeas 9; Nays 0; Absent 0.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

D. Margaret Drury

ATTEST:-

D. Margaret Drury
City Clerk



City of Cambridge

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In City Council March 20, 2000.

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Attest:- D. Margaret Drury, City Clerk.

A true copy; *D. Margaret Drury*

ATTEST:-

D. Margaret Drury
City Clerk



City of Cambridge

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In City Council March 20, 2000.

Adopted by a ye and nay vote:-

Yeas 9; Nays 0; Absent 0.

Attest:- D. Margaret Drury, City Clerk.

A true copy; *D. Margaret Drury*

ATTEST:-

D. Margaret Drury
City Clerk

City of Cambridge

MASSACHUSETTS

In City Council 3-20, 2000

Mgi's Agenda #1 Block rates for water + sewer use consumption as shown in attached chart

YEA	NAY	ABSENT	PRESENT	
✓				Ms. Kathleen L. Born
✓				Mr. James Braude
✓				Ms. Henrietta Davis
✓				Ms. Marjorie C. Decker
✓				Vice Mayor David P. Maher
✓				Mr. Kenneth E. Reeves
✓				Mr. Michael A. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
✓				Mayor Anthony D. Galluccio

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CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL. 349-4300
FAX. 349-4307



EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

March 20, 2000

RICHARD C. ROSSI
Deputy City Manager

To The Honorable, The City Council:

RECOMMENDATION

That the City Council approves the following block rates for water consumption and sewer use for the period beginning April 1, 2000 and ending March 31, 2001. The recommendation calls for a 12% increase in water rates and a 5% increase in sewer rates. Overall, consumers will see a 7.6% increase in their annual water/sewer bill.

	Annual Consumption	FY00 Water Rate	FY01 Proposed Water Rate	FY00 Sewer Rate	FY01 Proposed Sewer Rate
Block 1	0 - 40 CcF	\$1.98	\$2.22	\$3.53	\$3.71
Block 2	41 - 400 CcF	\$2.14	\$2.40	\$3.74	\$3.93
Block 3	401 - 2,000 CcF	\$2.26	\$2.53	\$3.03 403	\$3.19 419 - Council
Block 4	2,001 - 10,000 CcF	\$2.41	\$2.70	\$4.34	\$4.56
Block 5	Over 10,000 CcF	\$2.59	\$2.91	\$4.60	\$4.83

*All rates are per CcF. CcF is an abbreviation of 100 cubic feet. One CcF is approximately 750 gallons.

SUMMARY

In March of each year, the City Council establishes water and sewer rates, which determine water and sewer revenues for the next fiscal year. Because the City bills retroactively on a quarterly basis for water and sewer use, rates are adjusted as of April 1, but bills reflecting the new rates are not issued until after July 1. Because of timing requirements, water and sewer rates are set prior to the adoption of both the Cambridge budget and the MWRA budget, therefore, revenue needs are based upon estimated expenditures.

Historically, water and sewer rates have been established so that revenues generated by them cover one hundred percent of projected annual costs. However, beginning in FY1997 and continuing through the current fiscal year, the City Council established water rates that not only covered anticipated expenses, but also allowed for annual increases in the balance of the water fund. These increases in fund balance were established in anticipation of the construction of the new water treatment plant, currently underway. Beginning next fiscal year (2001), the balance in

Consent Agenda #1

34F

Relative to block rates for
water consumption and sewer use
for the period beginning
April 1, 2000 and ending
March 31, 2001.

In City Council March 20, 2000

ORDER ADOPTED