



City of Cambridge

CR # 6
IN CITY COUNCIL

March 19, 1990

ORDERED: That the following rates for water and sewer use in the City of Cambridge be in effect as of April 1, 1990:

	<u>Annual Consumption</u>	<u>Water Rate (Per CcF)*</u>	<u>Sewer Rate (Per CcF)*</u>
Block 1	0-40 CcF	1.00	1.68
Block 2	41-400 CcF	1.07	1.79
Block 3	401-2,000 CcF	1.14	1.92
Block 4	2,000-10,000 CcF	1.22	2.07
Block 5	Over 10,000	1.30	2.19

* CcF, or 100 Cubic Feet, is the unit the City uses to measure water consumption.

Be it further ordered that a Senior Citizen Discount Program be established. This program will offer a 10 percent discount, not to exceed \$50.00 per year, on water/sewer bills issued after July 1, 1990 to residents who own and occupy their homes and who will be 65 years of age or older on July 1. In addition, any homeowner 70 years of age or older who receives the Clause 41C Elderly Real Estate Exemption, which is granted by the Assessors based on financial need, will receive a 25 percent discount on water/sewer bills issued after July 1, 1990, not to exceed \$125.00 per year.

In City Council March 19, 1990.

Adopted by a yeas and nays vote:-

Yeas 8; Nays 1; Absent 0.

Attest:- Joseph E. Connorton, City Clerk.

	YEA	NAY	ABSENT	PRESENT
Mr. Cyr	✓			
Mr. Duehay	✓			
Mr. Myers	✓			
Mr. Reeves	✓			
Mrs. Russell	✓			
Mr. Sullivan	✓			
Mr. Toomey, Jr.	✓			
Mr. Walsh		✓		
Mayor Wolf	✓			

8 1 0

A true copy;

Joseph E. Connorton

ATTEST:-

Joseph E. Connorton
City Clerk



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In City Council March 19, 1990.

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Attest:- Joseph E. Connarton, City Clerk.

A true copy:

Joseph E. Connarton

ATTEST:-

Joseph E. Connarton
City Clerk

	YEA	NAY	ABSENT	PRESENT
Mr. Cyr	✓			
Mr. Duehay	✓			
Mr. Myers	✓			
Mr. Reeves	✓			
Mrs. Russell	✓			
Mr. Sullivan	✓			
Mr. Toomey, Jr.	✓			
Mr. Walsh		✓		
Mayor Wolf	✓			

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Yeas 8; Nays 1; Absent 0.

Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:-

Joseph E. Connarton
City Clerk

City of Cambridge

MASSACHUSETTS

In City Council _____ 199

C. Duehay *Water Rate*

	YEA	NAY	ABSENT	PRESENT	
Mr. Ed Cyr	✓				
Mr. Francis H. Duehay	✓				
Mr. Jonathan S. Myers	✓				
Mr. Kenneth E. Reeves	✓				
Mrs. Sheila T. Russell	✓				
Mr. Walter J. Sullivan	✓				
Mr. Timothy J. Toomey, Jr.	✓				
Mr. William H. Walsh		✓			
Mayor Alice K. Wolf	✓				

C. Duehay
MS
AK

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CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

February 26, 1990

To the Honorable, the City Council:

RECOMMENDATION:

- 1) Approve the attached rate schedule for water and sewer use consumed between April 1, 1990 and March 31, 1991 and billed between July 1, 1990 and June 30, 1991 (FY 1991).
- 2) Approve an elderly discount program for residents 65 years of age who own and occupy their own dwellings.

BACKGROUND/RATES

In December of 1988 the City Council established an increasing block rate structure for the billing of water and sewer usage. The rates approved at that time were as follows:

	Annual Consumption	Water Rate (Per CcF)	Sewer Rate (Per CcF)
Block 1	0-40 CcF	.80	1.34
Block 2	41-400 CcF	.85	1.43
Block 3	401-2,000 CcF	.91	1.53
Block 4	2,001-10,000 CcF	.97	1.65
Block 5	Over 10,000 CcF	1.04	1.75

**All consumption is measured in hundreds of cubic feet (CcF).

One hundred cubic feet equals approximately 750 gallons.

The primary purpose of the establishment of the increasing block rate billing structure was to encourage water conservation. During calendar 1988, the year in which the new rate structure was established, the City's water system produced an average of 16.1 million gallons of water per day, a figure that was approximately 16% over what is considered to be the City's maximum safe daily yield of 13.5 million gallons per day. As can be seen from the table below, there was a significant drop off in water consumption beginning in January 1989, the first month the new rate structure was in effect.

AVERAGE DAILY WATER PRODUCTION IN MILLION GALLONS PER DAY

<u>MONTH</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
January	<u>15.7</u>	<u>16.8</u>	<u>12.4</u>
February	17.2	18.0	12.7
March	17.5	16.9	13.4
April	16.1	16.9	12.9
May	14.7	19.0	12.8
June	12.9	18.1	13.6
July	20.8	17.5	13.6
August	20.3	17.1	14.2
September	19.7	14.3	14.5
October	15.7	13.7	13.8
November	13.1	11.5	14.2
December	<u>14.4</u>	<u>13.2</u>	<u>14.6</u>
Annual	16.5	16.1	13.6

All told the total number of gallons pumped by the system fell by over 15% from calendar year 1988 to 1989. While the drop off is encouraging from an environmental viewpoint, it has had a negative impact on the revenue streams from water and sewer billings. The current rate was developed assuming a much smaller drop off in consumption. As a result of this, water and sewer revenue for the current year may not reach budgeted levels. Furthermore, because utility production costs are relatively fixed, rates for both water and sewer must increase by 11% in FY 91 just to bring in the amount of revenue needed to fund the current year's (FY 90) budgets.

In addition to rates having to increase by 11% to just meet the level of current year expenses, rates will also have to increase to meet projected FY 91 expenses. As the table below indicates, water and sewer costs will both increase in excess of 15% in FY 91.

	<u>WATER COSTS</u>		
<u>CATEGORY</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>% INCREASE</u>
OPERATING	3,886	4,075 est.	5.5%
CAPITAL	1,000	1,000	-
DEBT	690	1,400	110%
MISC. TRANSFERS	175	175	-
	<u>5,751</u>	<u>6,650</u>	<u>15.6%</u>

	<u>SEWER COSTS</u>		
<u>CATEGORY</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>% INCREASE</u>
OPERATING	914	1,095	19.8%
CAPITAL	175	250	-
DEBT	1,207	1,135	(5.9%)
MISC. TRANSFERS	75	75	-
M.W.R.A.	<u>6,281</u>	<u>7,426</u>	<u>18.2%</u>
	<u>8,652</u>	<u>9,981</u>	<u>15.3%</u>

In comparing expenditure costs from FY 1990 to FY 1991, the two largest cost increases are in water debt service which increases by \$710,000 or 110% over the current year and a \$1,226,000 increase in the MWRA sewer charge.

As a result of the sharp decline in water/sewer use and increased costs for debt service and the MWRA, it will be necessary to increase water and sewer rates by 25% for all water/sewer use during the period April 1, 1990 to March 31, 1991, with that use reflected in bills issued July 1, 1990 to June 30, 1991. The new billing schedule would be as follows:

	<u>ANNUAL COMSUMPTION</u>	<u>WATER RATE</u>	<u>SEWER RATE</u>
Block 1	0-40 CcF	1.00	1.68
Block 2	41-400 CcF	1.07	1.79
Block 3	401-2,000 CcF	1.14	1.92
Block 4	2,001-10,000 CcF	1.22	2.07
Block 5	Over 10,000 CcF	1.30	2.19

**All consumption is measured in hundreds of cubic feet (CcF).
One hundred cubic feet equals approximately 750 gallons of water.

This rate increase will result in average annual customer increases of 25%. Attachment I details the average rate change on the various classes of customers.

BACKGROUND/ELDERLY DISCOUNT PROGRAM

Beginning with bills issued after July 1, 1990, I am proposing that the City Council establish an elderly discount program for owner occupants over the age of 65, up to a maximum of \$50.00 annually. All residents who own and occupy their residences and who turn 65 by June 30, will be eligible for the discount. In addition, a higher discount rate is proposed to benefit homeowners 70 years of age or older who have demonstrated financial need. In order to keep the bureaucratic regulations and costs to a minimum, I propose that any owner occupant who receives a real estate exemption under Clause 41C be eligible for a 25% annual discount. The real estate exemption is granted by the Assessors, who would pass the information along to the Finance Department, who would then include the 25% discount on the owner's water bill. To be eligible for the additional discount, elderly owners must be 70 years of age by June 30, and must have owned and occupied a property in Massachusetts for five years and must have domiciled in Massachusetts for at least 10 years. Total earnings may not exceed \$13,000 in the prior calendar year for a single person; \$15,000 for a married owner. There are also restraints imposed depending upon the net holdings of the applicant, \$28,000 if single and 30,000 if married. However, the value of the residence is exempted except for that portion that produces income. By establishing this discount program, all elderly homeowners will face a much smaller increase in their water/sewer bills, and our most needy elderly will see no increase at all in FY 1991.

COST ESTIMATES

Because there is no data available as to the specific number of senior citizen homeowners in the City or the type of residence they occupy, the exact cost of the discount program is difficult to calculate. However, assuming that approximately 10 percent of the water/sewer accounts belong to senior citizens and that the average residence is a two family, the cost will be approximately \$70,000. The following table contains the details of this estimate.

	----- FY 1990 -----					----- FY 1991 -----				
USER CLASSIFICATION	100 C.F.	RATE	WATER BILL	100 C.F.	RATE	SEWER BILL	TOTAL BILL	WATER BILL	SEWER BILL	TOTAL BILL
Largest Commercial	69,001		\$71,338.04	69,001		\$120,109.95	\$191,447.99	\$89,172.55	\$150,137.44	\$239,309.99
	20	\$0.800		20	\$1.340					
	180	\$0.850		180	\$1.430					
	800	\$0.910		800	\$1.530					
	4,000	\$0.970		4,000	\$1.650					
	64,001	\$1.040		64,001	\$1.750					
Largest Institutional	107,347		\$111,217.88	107,347		\$187,215.45	\$298,433.33	\$139,022.35	\$234,019.31	\$373,041.66
	20	\$0.800		20	\$1.340					
	180	\$0.850		180	\$1.430					
	800	\$0.910		800	\$1.530					
	4,000	\$0.970		4,000	\$1.650					
	102,347	\$1.040		102,347	\$1.750					

02/22/90

WATER/SEWER AVERAGE BILL

USER CLASSIFICATION	----- FY 1990 -----					----- FY 1991 -----		
	100 C.F.	RATE	WATER BILL	100 C.F.	RATE	SEWER BILL	TOTAL BILL	
Small Residential	32		\$25.44	32		\$42.61	\$68.05	
	32	\$0.800		32	\$1.340			
	0	\$0.850		0	\$1.430			
	0	\$0.910		0	\$1.530			
		\$0.970		0	\$1.650			
		\$1.040		0	\$1.750			
Average Single Family	86		\$71.36	86		\$119.81	\$191.16	
	40	\$0.800		40	\$1.340			
	46	\$0.850		46	\$1.430			
	0	\$0.910		0	\$1.530			
		\$0.970		0	\$1.650			
		\$1.040		0	\$1.750			
Average Two Family	86 (ea unit)		\$142.71	86		\$239.62	\$362.33	
	40	\$0.800		40	\$1.340			
	46	\$0.850		46	\$1.430			
	0	\$0.910		0	\$1.530			
		\$0.970		0	\$1.650			
		\$1.040		0	\$1.750			
Average Three Family	86 (ea unit)		\$214.07	86		\$359.43	\$573.49	
	40	\$0.800		40	\$1.340			
	46	\$0.850		46	\$1.430			
	0	\$0.910		0	\$1.530			
		\$0.970		0	\$1.650			
		\$1.040		0	\$1.750			
Average Four Family	86 (ea unit)		\$285.42	86		\$479.24	\$764.66	
	40	\$0.800		40	\$1.340			
	46	\$0.850		46	\$1.430			
	0	\$0.910		0	\$1.530			
		\$0.970		0	\$1.650			
		\$1.040		0	\$1.750			

ATTACHMENT
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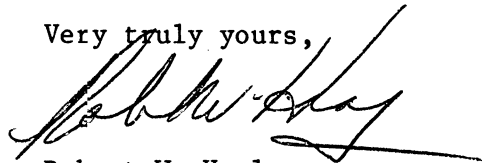
USER CLASSIFICATION	----- FY 1990 -----					----- FY 1991 -----				
	100 C.F.	RATE	WATER BILL	100 C.F.	RATE	SEWER BILL	TOTAL BILL	WATER BILL	SEWER BILL	TOTAL BILL
Average Unclassified	512		\$439.83	512		\$739.61	\$1,179.44	\$549.79	\$924.51	\$1,474.30
	40	\$0.800		40	\$1.340					
	360	\$0.850		360	\$1.430					
	112	\$0.910		112	\$1.530					
	0	\$0.970		0	\$1.650					
		\$1.040		0	\$1.750					
Average Commercial	1,070		\$948.06	1,070		\$1,594.11	\$2,542.18	\$1,185.08	\$1,992.64	\$3,177.72
	40	\$0.800		40	\$1.340					
	360	\$0.850		360	\$1.430					
	670	\$0.910		670	\$1.530					
	0	\$0.970		0	\$1.650					
	0	\$1.040		0	\$1.750					
Avg Institutional	2,061		\$1,849.51	2,061		\$3,109.73	\$4,959.24	\$2,311.89	\$3,887.13	\$6,199.05
	40	\$0.800		40	\$1.340					
	360	\$0.850		360	\$1.430					
	1,661	\$0.910		1,661	\$1.530					
	0	\$0.970		0	\$1.650					
	0	\$1.040		0	\$1.750					
Average Industrial	3,652		\$3,396.44	3,652		\$5,742.20	\$9,138.64	\$4,245.55	\$7,177.75	\$11,423.30
	40	\$0.800		40	\$1.340					
	360	\$0.850		360	\$1.430					
	1,600	\$0.910		1,600	\$1.530					
	1,652	\$0.970		1,652	\$1.650					
	0	\$1.040		0	\$1.750					
Largest Industrial	63,450		\$65,142.00	63,450		\$109,753.90	\$174,895.90	\$81,427.50	\$137,192.38	\$218,619.88
	40	\$0.800		40	\$1.340					
	360	\$0.850		360	\$1.430					
	1,600	\$0.910		1,600	\$1.530					
	8,000	\$0.970		8,000	\$1.650					
	53,450	\$1.040		53,450	\$1.750					

Total # of Residential Accounts	11,370
Senior Citizen Homeowners	1,137
Clause 41C Exemptions	226
Average FY 91 Two Family Bill	478
Cost of 10% Discount	43,545
Cost of 25% Discount	26,894
TOTAL COST	\$70,000

CONCLUSION

Several events have combined to necessitate the large increases in water and sewer rates. The state cleanup of Boston Harbor continues to drive up sewer rates. Since 1985, when the MWRA was established, the City's annual regional sewer bill has increased by \$6.2 million, a percentage increase of over 465%. Unfortunately, all estimates call for this cost to continue to escalate dramatically. Secondly, the City has begun the long contemplated construction of a permanent cover for the treated water storage facility at Payson Park. FY 91 debt service on this project is estimated to be \$1.4 million. This figure will increase by another \$.7 million in FY 92. Finally, in the next twelve months the City will embark on a new phase of its sewer modernization program. While the debt service for this project will not appear until the 1992 budget, the total program is expected to cost \$34.5 million and increase the annual sewer costs by almost \$4.5 million annually at its peak in the mid to late 1990's. The Finance Department is currently developing 5 year rate estimates for the City Council's review at the next meeting of the Finance Committee. Obviously annual customer costs will continue to increase dramatically. However, by adopting the proposed elderly discount program, this City will once again be doing more to assist its residents in the utility area than any other community in the State.

Very truly yours,



Robert W. Healy
City Manager

RWH/dls

Agenda # 7 F-139
Changes in Water/Sewer rates.

In City Council,

February 26, 1990

*Referred to Finance
Committee*

*Copy sent to Finance
Committee 2/28/90 (all)*

Order adopted

8-1-0