

City of Cambridge

MASSACHUSETTS

In City Council March 25, 2002

Manager's Agenda #1

YEA	NAY	ABSENT	PRESENT	
✓				Vice Mayor Henrietta Davis
✓				Ms. Marjorie C. Decker
✓				Mr. Anthony D. Galluccio
✓				Mr. David P. Maher
✓				Mr. Brian Murphy
✓				Mr. Kenneth E. Reeves
✓				Ms. Denise Simmons
✓				Mr. Timothy J. Toomey, Jr.
✓				Mayor Michael A. Sullivan

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and Agassiz. It is important to note that since May of 1998 the City Council has authorized \$152,705,000 for water and sewer capital projects. This impressive investment in our water and sewer systems represents significant progress towards ensuring that Cambridge will continue to benefit throughout the century from a healthy and environmentally sound water and sewer system. In addition to the projects currently underway, the five-year capital plan calls for an additional investment of approximately \$87,000,000 (primarily sewer, \$77,000,000) in the water and sewer systems. The additional funds for water will be used mainly for improvements to the distribution system and the acquisition of an automated meter reading system while sewer improvements are projected to continue in the following areas: South Massachusetts Avenue; Agassiz Neighborhood; Fresh Pond; Cambridgeport; Porter Square; Harvard Square; and the continued elimination of common manholes.

The substantial increase in the MWRA assessment is attributable to the reduction in the Commonwealth's debt assistance program that has provided relief to the cities and towns in the MWRA district by offsetting a portion of the debt service costs of MWRA capital projects. The budget that is currently under consideration by the legislature includes a recommendation that funding for this program be significantly reduced.

It is important to note the state's contribution to our water and sewer capital improvement program. In FY2003, state subsidies on water and sewer debt will total \$4,242,755 (\$2,973,300 sewer / \$1,268,455) which covers approximately 9.1% of total water and sewer costs. Table 4 on page 5 indicates the detail of sewer-related expenditures and revenues for the years 2002 to 2007. Table 1 below summarizes the increase in water and sewer metered revenue while Table 2 presents the estimated average charge to residential water / sewer bills.

TABLE 1
Combined Water / Sewer Metered Revenue

	FY02 Revised	FY03 Projected	% Change
Water	13,200,000	14,131,660	7.1%
Sewer	21,901,179	24,434,754	11.6%
Combined Water / Sewer Revenue	35,101,179	38,566,414	9.9%

TABLE 2
Average Change to Residential Bills

Residential Type	FY02 Revised	FY03 Projected	Annual Variance	% Change
Single Family	\$726	\$797.87	\$71.87	9.9%
Two Family	\$885	\$972.61	\$87.62	9.9%
Three Family	\$1,308	\$1,437.49	\$129.49	9.9%

SENIOR DISCOUNT PROGRAM

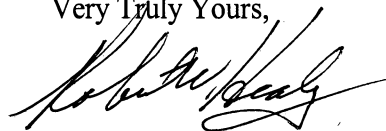
There are currently 2,832 homeowners who qualify for the age 65+ water / sewer 10% discount (not to exceed \$90 annually) which is not tied to the homeowners income. There are also 95 elderly homeowners who qualify for an income-based discount that totals 30% not to exceed \$180. To qualify for the 30% discount, a homeowner must be 70 or older and must have been granted the Clause 41C elderly real estate exemption. For FY03, the income guidelines are as

follows: single, income of \$14,305 with assets of \$30,811; married, income of \$16,506 and assets not to exceed \$33,012.

FUTURE OUTLOOK FOR RATES

Tables 3, 4, and 5 contain five-year forecasts for water and sewer revenue estimates. As can be seen in Table 5, the annual combined water / sewer rate is projected to increase by approximately 8.9% for the next few years. The projected increase is the result of the City's aggressive infrastructure improvement program and continued reduced funding from the state for MWRA debt service which places an additional burden on the member communities. As mentioned above, the MWRA assessment increased by 11.2% in FY03 and is projected to increase an additional 2.5% annually for the next four years if state assistance is not restored to the MWRA. An additional uncertainty that could change the five year water / sewer projections is consumption. It is possible that the drought that the region is currently experiencing could reduce the amount of water that consumers use, thus necessitating an increase in rates to bring in the amount of revenue needed to support water and sewer operations. We will continue to monitor this situation and keep the City Council informed.

Very Truly Yours,



Robert W. Healy
City Manager

RWH/drh
Attachments

Table 3
Water Projections FY02-07
(Revised 3/19/02)

Water Expenditures:								
	FY02	FY02	FY03	FY04	FY05	FY06	FY07	
	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected
1 Operating	7,648,440	7,145,575	7,846,420	8,160,277	8,486,688	8,826,155	9,179,202	
2 Existing Debt	8,551,560	8,551,560	9,267,825	9,059,735	8,793,306	8,397,026	7,890,792	
3 New Debt	197,370	172,230	-	-	560,000	544,000	528,000	
4 Capital	1,238,000	1,238,000	1,000,000	1,200,000	1,200,000	1,200,000	1,200,000	
5 Finance	185,000	185,000	185,000	185,000	185,000	185,000	185,000	
6 Conservation	14,870	14,870	14,870	14,870	14,870	14,870	14,870	
7 Public Works	147,000	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	30,000	
9 Subtotal	18,012,240	17,484,235	18,491,115	18,796,882	19,416,864	19,344,051	19,174,864	
10 To Fund Balance	-	-	-	-	-	-	-	
11 Total	18,012,240	17,484,235	18,491,115	18,796,882	19,416,864	19,344,051	19,174,864	
Assumptions:								
1) Operating Budget for FY03 is based on City Manager's Submitted Budget and increases 4% for FY04-07.								
2) New debt is based on based on a January, 2004 sale for \$4,000,000 for the Automated Meter Reading System.								
3) Capital as shown..								
4) All others remain constant.								
Revenue / Change in Fund Balance								
1 Beginning Fund Balance	8,177,155	9,028,650	6,801,345	4,416,345	3,916,345	3,416,345	2,916,345	
2 Meter Revenue	13,500,000	13,200,000	14,131,660	16,621,082	17,290,954	17,269,296	17,152,608	
3 Miscellaneous Water Charges	800,000	740,000	455,000	455,000	455,000	455,000	455,000	
4 Interest	-	-	-	-	-	-	-	
5 MWPAT Subsidy	1,316,930	1,316,930	1,269,455	1,220,800	1,170,910	1,119,755	1,067,256	
6 From Fund Balance	2,385,000	2,385,000	2,635,000	500,000	500,000	500,000	500,000	
7 Total Revenue	18,012,240	17,641,930	18,491,115	18,796,882	19,416,864	19,344,051	19,174,864	
8 Total Expenditures	18,012,240	17,484,235	18,491,115	18,796,882	19,416,864	19,344,051	19,174,864	
9 To Fund Balance	-	-	-	-	-	-	-	
10 From Fund Balance	2,385,000	2,385,000	2,385,000	500,000	500,000	500,000	500,000	
11 Ending Fund Balance	5,792,155	6,801,345	4,416,345	3,916,345	3,416,345	2,916,345	2,416,345	
12 Projected Rate Increase	-	-	7.1%	17.6%	4.0%	-0.1%	-0.7%	

Table 4
Sewer Projections FY02-07
(Revised 3/19/02)

Sewer Expenditures								
		FY02	FY02	FY03	FY04	FY05	FY06	FY07
		Budget	Revised	Projected	Projected	Projected	Projected	Projected
1	Public Works	1,656,485	1,591,935	1,730,510	1,782,425	1,835,898	1,890,975	1,947,704
2	Capital	1,650,000	1,650,000	1,000,000	1,500,000	1,500,000	1,500,000	1,500,000
3	Existing Debt	7,314,388	7,314,388	8,882,529	8,300,862	7,505,940	6,429,464	6,181,962
4	New Debt	445,039	229,425	411,225	3,269,376	7,661,784	8,989,405	11,252,480
5	Finance	185,000	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	30,000
7	MWRA	14,248,545	14,139,115	15,718,790	16,111,760	16,514,554	16,927,418	17,350,603
8	Total	25,529,457	25,139,863	27,958,054	31,179,423	35,233,176	35,952,262	38,447,749
Assumptions:								
1) FY03 MWRA assessment is based on estimate that includes reduced funding for statewide debt service assistance and increases by 2.5% for FY04-07.								
2) Public Works increases by 4.5% in FY03 and 3% in FY04-07.								
3) Capital funded at \$1,500,000 in FY03-07.								
4) Debt Service increases according to Capital Plan.								
5) All others remain constant.								
Financing Plan								
1	Sewer Service Charge	21,901,679	21,901,179	24,434,754	27,761,821	30,533,931	31,641,632	33,557,305
2	Non-Metered Sewer Revenues	825,000	540,000	550,000	550,000	550,000	550,000	550,000
3	MWPAT Subsidy (Existing)	2,798,428	2,798,428	2,706,004	2,393,794	2,094,712	1,580,471	1,522,025
4	MWPAT Subsidy (New)	4,350	-	267,296	473,808	2,054,533	2,180,159	2,818,419
5	Total	25,529,457	25,239,607	27,958,054	31,179,423	35,233,176	35,952,262	38,447,749
6	% Sewer Service Charge Increase	-	-	11.6%	13.6%	10.0%	3.6%	6.1%

Table 5
Combined Water and Sewer Projections
FY02-07 (Revised 3/19/02)

	FY02	FY02	FY03	FY04	FY05	FY06	FY07
	Budget	Projected	Projected	Projected	Projected	Projected	Projected
Metered Water Revenue	13,500,000	13,200,000	14,131,660	16,621,082	17,290,954	17,269,296	17,152,608
Metered Sewer Revenue	21,901,679	21,901,179	24,434,754	27,761,821	30,533,931	31,641,632	33,557,305
Total	35,401,679	35,101,179	38,566,414	44,382,903	47,824,885	48,910,928	50,709,913
% Increase	-	-	9.9%	15.1%	7.8%	2.3%	3.7%



City of Cambridge

Consent Agenda #1

IN CITY COUNCIL

March 25, 2002

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, 2001 and ending March 31, 2002.

	Annual <u>Consumption</u>	Water Rate <u>(Per Ccf)*</u>	SewerRate <u>(Per Ccf)*</u>
Block 1	0-40 Ccf	\$2.53	\$4.65
Block 2	41-400 Ccf	\$2.73	\$4.93
Block 3	401-2,000 Ccf	\$2.88	\$5.30
Block 4	2,001-10,000 Ccf	\$3.07	\$5.71
Block 5	Over 10,000 Ccf	\$3.32	\$6.06

*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 15 percent or 30 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 15 percent discount. This discount may not exceed \$90 for the fiscal year. To qualify for the 30 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 \$180 for the fiscal year.

In City Council March 25, 2002.

Adopted by a yea and nay vote:-

Yeas 9 Nays 0; Absent 0.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury
City Clerk



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager Richard C. Rossi, Deputy City Manager

March 25, 2002

To the Honorable, the City Council:

RECOMMENDATIONS

1. That the City Council approve the following block rates for water consumption and sewer use for the period beginning April 1, 2002 and ending March 31, 2003. The recommendation calls for a 7.1% increase in water rates and an 11.6% increase in sewer rates. Overall, consumers will see a 9.9% increase in their annual water / sewer bill.

	Annual Consumption	FY02 Water Rate	FY03 Proposed Water Rate	FY02 Sewer Rate	FY03 Proposed Sewer Rate
Block 1	0 – 40 CcF	\$2.36	\$2.53	\$4.17	\$4.65
Block 2	41 – 400 CcF	\$2.55	\$2.73	\$4.42	\$4.93
Block 3	401 – 2,000 CcF	\$2.69	\$2.88	\$4.75	\$5.30
Block 4	2,001 – 10,000 CcF	\$2.87	\$3.07	\$5.12	\$5.71
Block 5	Over 10,000 CcF	\$3.10	\$3.32	\$5.43	\$6.06

- 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 of the timing requirements, water and sewer rates are set prior to the adoption of both the Cambridge budget and 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 two fiscal years ago (2000) and continuing for the next several, a portion of the fund balance from the Water Fund will be utilized to help offset increases in the annual debt service required to fund the new water treatment plant. There is also a significant increase in the FY03 Water Department operating budget. Table 3 on page 4 indicates the details of Water Fund actual and projected revenues and expenditures for the years 2002 to 2007.

For FY2003, sewer rates are required to increase 11.6% primarily to cover increases of \$1,750,000 in sewer debt service and \$1,580,000 in the Massachusetts Water Resources Authority (MWRA) assessment. The debt service increase is primarily attributable to the following sewer projects: Fresh Pond; New Street Pump Station; Harvard Square; Alewife Brook;

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Consent Agenda #1

Block rates for water
consumption and sewer
use for the period beginning
April 1, 2002 and ending
March 31, 2003.

In City Council March 25, 2002

ORDER ADOPTED.
9-0-0.