



City of Cambridge

Consent Agenda #9

IN CITY COUNCIL

March 24, 2003

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, 2003 and ending March 31, 2004.

	<u>Annual Consumption</u>	<u>Water Rate (Per Ccf)*</u>	<u>SewerRate (Per Ccf)*</u>
Block 1	0-40 Ccf	\$2.66	\$4.99
Block 2	41-400 Ccf	\$2.87	\$5.29
Block 3	401-2,000 Ccf	\$3.03	\$5.68
Block 4	2,001-10,000 Ccf	\$3.23	\$6.12
Block 5	Over 10,000 Ccf	\$3.49	\$6.50

*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 24, 2003.

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 March 24, 2003

Mgt's Agenda # 9 Block Rates for Water Consumption and
Sewer Use 4/1/03 - 3/31/04

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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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 \$71,276,000 (primarily sewer, \$61,876,000) 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; Cherry Street; Agassiz Neighborhood; Fresh Pond; Cambridgeport; Bellis Circle; Porter Square; Harvard Square; and the continued elimination of common manholes.

During the past decade, the State has made substantial contributions to the City's water and sewer capital improvement program through the State Revolving Loan Program. In FY03, state subsidies covered \$3,975,459, or 21.9% of the total debt service of \$18,150,354 on water and sewer debt. It is expected that the City will continue to receive State subsidies on existing debt. The FY03 – 07 capital plan included several projects that were to be funded through subsidized loans from the State. However, this funding source, which was projected to be \$7,526,919 for FY04-07, has been eliminated from the budget that the governor recently submitted to the legislature. In order to proceed with the projects while restricting the growth of the sewer rate, the original five-year plan for sewer projects has been extended to eight years since the total debt service on the loans will be covered through the sewer service charge. Table 4 on page 5 shows the detail of sewer-related expenditures for FY03-08 with table 3 on page 4 providing similar information on water-related expenditures.

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

	FY03 Revised	FY04 Projected	% Change
Water	14,300,000	15,028,105	5.1%
Sewer	24,600,000	26,365,765	7.2%
Combined Water / Sewer Revenue	38,900,000	41,393,870	6.4%

TABLE 2
Average Change to Residential Bills

Residential Type	FY03 Revised	FY04 Projected	Annual Variance	% Change
Single Family	\$650	\$692	\$42	6.4%
Two Family	\$900	\$958	\$58	6.4%
Three Family	\$1,315	\$1,399	\$84	6.4%

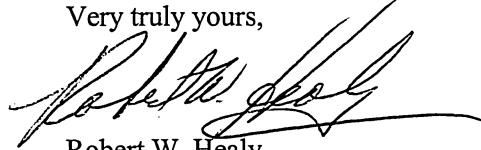
SENIOR DISCOUNT PROGRAM

There are currently 2,815 homeowners who qualify for the age 65+ water / sewer 15% discount (not to exceed \$90 annually) which is not tied to the homeowners income. There are also 208 elderly homeowners who qualify for an income-based discount that total 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 FY04, the income guidelines are as follows: single, income of \$14,223 with assets of \$30,635; married, income of \$16,412 and assets not to exceed \$32,423.

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 an average of approximately 7.7% for the next five years. The projected increase is the result of the City's aggressive infrastructure improvement program, an increase in the MWRA assessment of 4.7% in FY04 and 5% in FY05 – 08, and the elimination of subsidies for State Revolving Fund loans. If subsidies for the State Revolving Loan Program are restored, it will be possible to either return to the original construction schedule or use the subsidies to reduce the sewer rate.

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

RWH/mec
Attachments

**Table 3
Water Projections
FY03-08**

	Water Expenditures:							
		FY03	FY03	FY04	FY05	FY06	FY07	FY08
		Budget / Recap	Projected	Projected	Projected	Projected	Projected	Projected
1	Operating	7,846,420	7,600,000	7,704,045	8,012,210	8,332,695	8,666,005	9,012,645
2	Existing Debt	9,267,825	9,267,825	9,032,860	8,793,306	8,949,326	8,428,392	8,303,640
3	New Debt	-	-	-	567,000	-	-	-
4	Capital	1,000,000	1,000,000	1,100,000	800,000	1,000,000	1,100,000	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	15,000	15,000	15,000	15,000	15,000
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
10	Total	18,491,115	18,244,695	18,213,905	18,549,516	18,659,021	18,571,397	18,893,285
	Assumptions:							
	1) Operating Budget for FY04 is based on City Manager's Submitted Budget and increases 4% for FY05-08.							
	2) New Debt is based on a January, 2004 sale for \$4,200,000 for an Automated Water Reading System.							
	3) Capital as shown.							
	4) All others remain constant.							
	Revenue / Change in Fund Balance							
1	Beginning Fund Balance	7,382,899	7,382,899	5,197,659	3,697,659	2,697,659	2,197,659	1,947,659
2	Meter Revenue	14,131,660	14,300,000	15,028,105	15,913,606	16,574,266	16,789,141	17,165,022
3	Miscellaneous Water Charges	455,000	490,000	465,000	465,000	465,000	465,000	465,000
4	MWPAT Subsidy	1,269,455	1,269,455	1,220,800	1,170,910	1,119,755	1,067,256	1,013,263
5	From Fund Balance	2,635,000	2,635,000	1,500,000	1,000,000	500,000	250,000	250,000
6	Total Revenue	18,491,115	18,694,455	18,213,905	18,549,516	18,659,021	18,571,397	18,893,285
7	Total Expenditures	18,491,115	18,244,695	18,213,905	18,549,516	18,659,021	18,571,397	18,893,285
8	From Fund Balance	2,635,000	2,635,000	1,500,000	1,000,000	500,000	250,000	250,000
9	Ending Fund Balance	4,747,899	5,197,659	3,697,659	2,697,659	2,197,659	1,947,659	1,697,659
10	Projected Rate Increase	-	-	5.1%	5.9%	4.2%	1.3%	2.2%

Table 4
Sewer Projections
FY03-08

Sewer Expenditures	FY03 Budget / Recap	FY03 Projected	FY04 Budget	Projected FY05	Projected FY06	Projected FY07	Projected FY08
Public Works	1,768,670	1,768,670	1,796,445	1,850,338	1,905,849	1,963,024	2,021,915
Capital	1,000,000	1,000,000	1,100,000	1,150,000	1,250,000	1,250,000	1,250,000
Existing Debt	8,882,529	8,882,529	9,994,830	9,187,909	10,354,214	12,702,119	15,008,053
New Debt	447,226	-	-	2,272,700	2,621,344	3,235,694	2,678,684
Finance	185,000	185,000	185,000	185,000	185,000	185,000	185,000
Community Development	30,000	30,000	30,000	30,000	30,000	30,000	30,000
MWRA	15,718,790	15,423,215	16,143,126	16,950,282	17,797,796	18,687,686	19,622,071
Total	28,032,215	27,289,414	29,249,401	31,626,229	34,144,203	38,053,523	40,795,723
Assumptions:							
1) The FY04 MWRA assessment is based on the preliminary estimate received from the MWRA and reflects a 4.7% increase. FY05-08 assessments are based on a 5% annual increase.							
2) Public Works increases 1.6% in FY04 and 3% in FY05-08.							
3) Capital is funded at \$1,100,000 in FY04, \$1,150,000 in FY05, and \$1,250,000 in FY06-08.							
4) Debt Service increases according to Capital Plan.							
5) All others remain constant.							
Financing Plan							
Sewer Service Charge	24,508,915	24,600,000	26,365,765	29,127,890	32,078,317	36,044,274	39,148,794
Non- Metered Sewer Revenues	550,000	750,000	550,000	550,000	550,000	550,000	550,000
MWPAT Subsidy (existing)	2,706,004	2,706,004	2,333,636	1,948,339	1,515,886	1,459,249	1,096,929
MWPAT Subsidy (new)	267,296	-	-	-	-	-	-
Total	28,032,215	28,056,004	29,249,401	31,626,229	34,144,203	38,053,523	40,795,723
Sewer Service Charge Increase	-	-	7.2%	10.5%	10.1%	12.4%	8.6%

Table 5
Combined Water and Sewer Projections
FY03-08

	FY03	FY03	FY04	FY05	FY06	FY07	FY08
	Budget / Recap	Projected	Projected	Projected	Projected	Projected	Projected
Metered Water Revenue	14,131,660	14,300,000	15,028,105	15,913,606	16,574,266	16,789,141	17,165,022
Metered Sewer Revenue	24,508,915	24,600,000	26,365,765	29,127,890	32,078,317	36,044,274	39,148,794
Total	38,640,575	38,900,000	41,393,870	45,041,496	48,652,583	52,833,415	56,313,816
% Increase	-	-	6.4%	8.8%	8.0%	8.6%	6.6%



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CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

March 24, 2003

To the Honorable, the City Council:

RECOMMENDATIONS

That the City Council approve the following block rates for water consumption and sewer use for the period beginning April 1, 2003 and ending March 31, 2004. The recommendation calls for a 5.1% increase in water rates and a 7.2% increase in sewer rates. Overall, consumers will see a 6.4% increase in their annual water / sewer bill.

	Annual Consumption	FY03 Water Rate	FY04 Proposed Water Rate	FY03 Sewer Rate	FY04 Proposed Sewer Rate
Block 1	0 – 40 CcF	\$2.53	\$2.66	\$4.65	\$4.99
Block 2	41 – 400 CcF	\$2.73	\$2.87	\$4.93	\$5.29
Block 3	401 – 2,000 CcF	\$2.88	\$3.03	\$5.30	\$5.68
Block 4	2,001 – 10,000 CcF	\$3.07	\$3.23	\$5.71	\$6.12
Block 5	Over 10,000 CcF	\$3.32	\$3.49	\$6.06	\$6.50

- 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 three 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. In FY04, the fund balance support has been reduced from \$2,635,000 to \$1,500,000 and will continue to be reduced for the years 2005 – 2008. Table 3 on page 4 indicates the details of Water Fund actual and projected revenues and expenditures for the years 2003 to 2008.

For FY2004, sewer rates are required to increase 7.2% primarily to cover increases of \$1,112,301 in sewer debt service and \$719,911 in the Massachusetts Water Resources Authority (MWRA) assessment. The debt service increase is primarily attributable to the following sewer projects: Fresh Pond, Cherry Street/South Massachusetts Avenue, Agassiz, reconnection of illegal sanitary services, and common manhole removal projects. It is important to note that since May of 1998 the City Council has authorized \$169,575,000 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

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Consent Agenda #9

Block rates for water consumption
and sewer use for the period
beginning April 1, 2003 and
ending March 31, 2004.

In City Council March 24, 2003

ORDER ADOPTED.
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