



City of Cambridge

Agenda Item #19

IN CITY COUNCIL

March 17, 1997

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, 1997 and ending March 31, 1998.

	<u>Annual Consumption</u>	<u>Water Rate (Per Ccf) *</u>	<u>Sewer Rate (Per Ccf) *</u>
Block 1	0-40 Ccf	1.92	3.27
Block 2	41-400 Ccf	2.07	3.46
Block 3	401-2,000 Ccf	2.19	3.73
Block 4	2,000-10,000 Ccf	2.34	4.01
Block 5	Over 10,000	2.51	4.26

*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 17, 1997
Adopted by a yeas and nays vote:-
Yeas 9; Nays 0; Absent 0.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-

D. Margaret Drury
D. Margaret Drury
City Clerk

City of Cambridge

MASSACHUSETTS

Agenda #19

In City Council 3/17/97, 199

Water ~~Rate~~ and sewer rates

	YEA	NAY	ABSENT	PRESENT
V.M. Kathleen L. Born	✓			
Ms. Henrietta Davis	✓			
Mr. Francis H. Duehay	✓			
Mr. Anthony Galluccio	✓			
Mr. Kenneth E. Reeves	✓			
Mr. Michael A. Sullivan	✓			
Mr. Timothy J. Toomey, Jr.	✓			
Ms. Katherine Triantafillou	✓			
Mayor Sheila T. Russell	✓			

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offset during the first two years (FY99 + FY00) of increased debt service related to the construction of a new water treatment facility. The first debt issue for that facility is currently planned for early calendar year 1998 resulting in an annual debt service increase beginning in FY1999. For FY1998 I am once again recommending that the City Council approve a water rate that will increase the Fund balance (the proposed water rates anticipate \$700,000 to be added to the Water Fund balance as of 6/30/98.)

Table I below shows that combined water and sewer revenue requirements will increase by \$920,000 or 3.3% in FY98. Table II shows the dollar impact on average residential bills by property type.

TABLE I

Combined Water/Sewer Revenue Requirements

	FY97 Revised	FY98 Projected	% Change
Water Revenue	10,200,000	10,879,000	7.0%
Sewer Revenue	17,700,000	17,941,000	1.4%
Combined W/S Revenue	27,900,000	28,820,000	3.3%

TABLE II

Average Change to Residential Bills

Residence Type	FY97 Average Bill	FY98 Projected Average Bill	\$	% Change
Single Family	561	580	19	3.3%
Two Family	683	706	23	3.3%
Three Family	1,010	1,044	34	3.3%
Four-Eight Family	1,506	1,556	50	3.3%

SENIOR DISCOUNT PROGRAM

The City continues to offer the Senior Citizen Discount Program for water and sewer use. This program, which was implemented in FY91, gives either a 10 percent or 25 percent 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 percent discount. This discount may not exceed \$60 for the fiscal year. To qualify for the 25 percent 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 FY96, 2,600 households took advantage of the discount programs, at a savings of approximately \$180,000.

Future Outlook For Rates

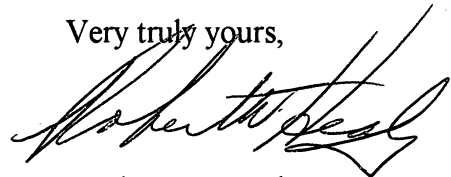
Tables III, IV and V contain 5 year forecasts of water and sewer revenue requirements. The largest impact on rates over the next few years will be the construction of a new \$60,000,000 water treatment plant. Work on this project is expected to begin in the fall of 1997 with the first issuance of debt related to the project issued in early calendar year 1998. While financing plans are still tentative, current plans call for approximately \$60,000,000 in construction costs to be issued in \$20,000,000 lots in January of 1998, 1999 and 2000. While the projections follow these assumptions, financing needs may result in \$30,000,000 in debt issued in 1999 and \$10,000,000 in the year 2000. While the projections also assume that the City is responsible for the full costs of construction, we are still working on obtaining some financing assistance from the State's Revolving Loan Fund, which if obtained, would reduce interest costs.

The sewer revenue requirement projections are based upon the preliminary FY1998 MWRA assessment and current MWRA forecasts. These are rough estimates and somewhat beyond the City's control.

Conclusion

We are about to embark on the single largest capital project in the City's history. We are fortunate to have both the natural and the financial resources to maintain a healthy water supply for the residents and businesses of today and the future.

Very truly yours,



Robert W. Healy
City Manager

TABLE III**5 Year Forecast of Water Revenue Requirements**

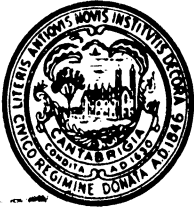
	FY98	FY99	FY00	FY00	FY 02
Beginning Fund Balance	3,035	3,735	3,735	2,735	1,535
Revenues					
Rate Revenue	10,879	12,218	13,045	14,051	14,320
From Fund Balance			1,000	1,200	
Total Revenues	10,879	12,218	14,045	15,251	14,320
Expenses					
Operating	5,550	5,665	5,835	6,000	6,190
Operating Savings		(1,800)	(1,800)		
MWRA Water		1,800	1,800		
Capital	600	600	600	600	600
Existing Debt	3,664	3,388	2,845	1,686	665
New Debt		2,200	4,400	6,600	6,500
Public Works	147	147	147	147	147
Finance	185	185	185	185	185
Conservation	3	3	3	3	3
Executive	30	30	30	30	30
To Fund Balance	700	0	0	0	0
Total Expenditures	10,879	12,218	14,045	15,251	14,320
End Fund Balance	3,735	3,735	2,735	1,535	1,535
% Rate Change		12.3 %	6.8 %	7.7 %	2 %

TABLE IV**5 Year Sewer Revenue Requirement Forecast**

	FY98	FY99	FY00	FY01	FY02
Revenues	17,941	19,197	20,637	22,512	24,249
Expenses					
DPW Operating	1,061	1,092	1,125	1,158	1,193
Capital	1,859	1,500	1,500	1,500	1,500
Existing Debt	1,254	904	738	768	700
New Debt		579	662	834	800
Finance	185	185	185	185	185
Community Dev	30	30	30	30	30
MWRA	13,552	14,907	16,397	18,037	19,841
Total	17,941	19,197	20,637	22,512	24,249
Rate Change		7 %	7.5 %	9 %	7.7 %

TABLE V**Projected Combined Water/Sewer Annual Rate Changes**

	FY98	FY99	FY00	FY01	FY02
Water	10,879	12,218	13,045	14,051	14,320
Sewer	17,941	19,197	20,637	22,512	24,249
Total	28,820	31,415	33,682	36,563	38,569
Rate Change	3.3 %	9 %	7.2 %	8.5 %	5.5 %



CITY OF CAMBRIDGE
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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

March 17, 1997

To The Honorable, The City Council

Recommendation

That the City Council approve the following block rates for water consumption and sewer use for the period beginning April 1, 1997 and ending March 31, 1998. The proposed water rate increase is 7%, while the proposed sewer rate increase is 1.4%. When combined, consumers will see a 3.3% total increase in their annual water and sewer bill.

	Annual Consumption	FY97 Water Rate	FY98 Proposed Water Rate	FY97 Sewer Rate	FY98 Proposed Sewer Rate
Block 1	0 - 40 CcF	\$ 1.79	\$1.92	\$3.22	\$3.27
Block 2	41 - 400 CcF	\$1.93	\$2.07	\$3.41	\$3.46
Block 3	401 - 2,000 CcF	\$2.04	\$2.19	\$3.67	\$3.73
Block 4	2,001 - 10,000 CcF	\$2.18	\$2.34	\$3.95	\$4.01
Block 5	Over 10,000 CcF	\$2.34	\$2.51	\$4.20	\$4.26

* All rates are per CcF. CcF is an abbreviation for 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 revenue during 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 City budget and the MWRA budget; therefore, revenue needs are based upon estimated expenditures.

Rates are usually established so that revenues generated by them cover 100% of related costs. In FY1997, however, the City Council established water rates that would not only cover anticipated expenses but would also allow for an increase in the balance of the Water Fund. The accumulated increase in the Water Fund's balance will be used as an

Consent Agenda #19

S-143

Relative to a recommendation for
approval of block rates for water
consumption and sewer use for the
period beginning April 1, 1997
and ending March 31, 1998.

In City Council March 17, 1997

Order Adopted
9-0-0