



City of Cambridge

Agenda Item No. 1

IN CITY COUNCIL

March 22, 1999

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, 1999 and ending March 31, 2000.

	Annual Consumption	Water Rate (Per Ccf)*	SewerRate (Per Ccf)*
Block 1	0-40 Ccf	\$1.98	\$3.53
Block 2	41-400 Ccf	\$2.14	\$3.74
Block 3	401-2,000 Ccf	\$2.26	\$4.03
Block 4	2,000-10,000 Ccf	\$2.41	\$4.34
Block 5	Over 10,000 Ccf	\$2.59	\$4.60

*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 22, 1999

Adopted by a ye and nay 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
CAMBRIDGE, MASSACHUSETTS 02139

TEL. 349-4300
FAX. 349-4307



EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

March 22, 1999

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, 1999 and ending March 31, 2000. The recommendation calls for a 3% increase in water rates and a 2% increase in sewer rates. Overall, consumers will see a 2.4% increase in their annual water/sewer bill.

	Annual Consumption	FY99 Water Rate	FY00 Proposed Water Rate	FY99 Sewer Rate	FY00 Proposed Sewer Rate
Block 1	0 – 40 CcF	\$1.92	\$1.98	\$3.46	\$3.53
Block 2	41 – 400 CcF	\$2.07	\$2.14	\$3.66	\$3.74
Block 3	401 – 2,000 CcF	\$2.19	\$2.26	\$3.95	\$4.03
Block 4	2,001 – 10,000 CcF	\$2.34	\$2.41	\$4.25	\$4.34
Block 5	Over 10,000 CcF	\$2.51	\$2.59	\$4.51	\$4.60

* 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 (2000), the balance in

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 of 4% annually, despite the increase of approximately \$7,000,000 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) with an additional \$25,000,000 expected to be issued this summer or early fall and the balance to be issued in 2000. As the table on page 4 illustrates, at its peak the debt service on water projects is expected to total over \$7,000,000, an amount equal to approximately 75% of the total costs related to the delivery of water to consumers in the current fiscal year.

TABLE 1
Combined Water/Sewer Metered Revenue

	FY99 Revised	FY00 Projected	% Change
Water	\$10,750,000	\$11,075,000	3%
Sewer	\$20,000,000	\$20,406,000	2%
Combined Water/Sewer Revenue	\$30,750,000	\$31,481,000	2.4%

TABLE 2
Average Change to Residential Bills

Residential Type	FY99 Revised	FY00 Projected	Variance	% Change
Single Family	\$600	\$614.40	\$14.40	2.4%
Two Family	\$731	\$748.54	\$17.54	2.4%
Three Family	\$1,080	\$1,105.92	\$25.92	2.4%

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% 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 FY99, over 2,600 households took advantage of the discount programs, at a savings of over \$200,000.

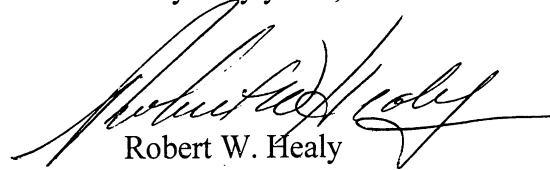
FUTURE OUTLOOK FOR RATES

Tables 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 4% annually over the next 5 years. Sewer projections are based upon a projected 5% annual increase in the MWRA sewer charge to the City (a charge largely beyond our control and which could be higher than 5% annually) and the City's projected sewer capital improvement program which will get even more aggressive with work slated for Harvard Square, Agassiz Neighborhood, Cherry Street, Pine Street, South Massachusetts Avenue, Fresh Pond Parkway, New Street and Bellis Circle. As a result of these planned projects, sewer increases will most likely exceed water increases from 2001 and beyond. The Finance Department and the Public Works Department will continue to work closely in an effort to both limit the impact on sewer users and to smooth out sewer rate increase bumps such as the one currently indicated for 2002.

CONCLUSION

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 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

RWH/mec

TABLE 3

WATER USER CHARGE PROJECTIONS FY99 - 04
 (\$ IN 000's)

EXPENDITURES:	FY99	FY00	FY01	FY02	FY03	FY04
	REVISED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
OPERATING *	\$ 4,302	\$ 4,433	\$ 4,610	\$ 5,408	\$ 5,624	\$ 5,849
EXISTING DEBT	\$ 4,307	\$ 2,845	\$ 1,686	\$ 665	\$ 638	\$ 610
NEW DEBT		\$ 4,413	\$ 6,418	\$ 6,539	\$ 6,390	\$ 6,242
CAPITAL	\$ 600	\$ 1,500	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400
FINANCE	\$ 185	\$ 185	\$ 185	\$ 185	\$ 185	\$ 185
CONSERVATION	\$ 3	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7
PUBLIC WORKS	\$ 147	\$ 147	\$ 147	\$ 147	\$ 147	\$ 147
COMMUNITY DEVELOPMENT	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
 SUBTOTAL	 \$ 9,574	 \$ 13,560	 \$ 14,483	 \$ 14,381	 \$ 14,421	 \$ 14,470
 TO FUND BALANCE	 \$ 2,976	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -
 TOTAL	 \$ 12,550	 \$ 13,560	 \$ 14,483	 \$ 14,381	 \$ 14,421	 \$ 14,470

* INCLUDES RENT

ASSUMPTIONS:

- OPERATING BUDGET INCREASES BY 3% IN FY00, 4% IN FY01, FY03 AND FY04, AND BY \$1,000,000 IN FY02.
- NEW DEBT FOR:
 - FY01 - \$6,418,000
 - FY02 - \$6,539,000
- CAPITAL AS SHOWN.
- ALL OTHERS REMAIN CONSTANT.

REVENUE/CHANGE IN FUND BALANCE:

BEGINNING FUND BALANCE	\$ 5,909	\$ 8,885	\$ 7,700	\$ 5,437	\$ 3,535	\$ 2,072
METER REVENUE	\$ 10,750	\$ 11,075	\$ 11,518	\$ 11,979	\$ 12,458	\$ 12,956
MISC. WATER CHARGES	\$ 400	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
INTEREST	\$ 1,400	\$ 800				
FROM FUND BALANCE	\$ -	\$ 1,185	\$ 2,465	\$ 1,902	\$ 1,463	\$ 1,014
TOTAL REVENUE	\$ 12,550	\$ 13,560	\$ 14,483	\$ 14,381	\$ 14,421	\$ 14,470
 TOTAL EXPENDITURES	 \$ 9,574	 \$ 13,560	 \$ 14,483	 \$ 14,381	 \$ 14,421	 \$ 14,470
TO FUND BALANCE	\$ 2,976	\$ -	\$ -	\$ -	\$ -	\$ -
FROM FUND BALANCE	\$ -	\$ 1,185	\$ 2,263	\$ 1,902	\$ 1,463	\$ 1,014
ENDING FUND BALANCE	\$ 8,885	\$ 7,700	\$ 5,437	\$ 3,535	\$ 2,072	\$ 1,058
 PROJECTED RATE % INCREASE		3.0%	4.0%	4.0%	4.0%	4.0%

TABLE 4

SEWER PROJECTIONS FY99 - 04
(\$ IN 000's)

SEWER EXPENDITURES:	FY99	FY00	FY01	FY02	FY03	FY04
	REVISED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
PUBLIC WORKS	\$ 1,074	\$ 1,230	\$ 1,279	\$ 1,330	\$ 1,384	\$ 1,439
CAPITAL	\$ 3,070	\$ 3,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700
EXISTING DEBT	\$ 1,265	\$ 1,107	\$ 1,124	\$ 1,203	\$ 1,232	\$ 1,046
NEW DEBT	\$ -	\$ 60	\$ 786	\$ 3,112	\$ 4,303	\$ 5,454
FINANCE	\$ 185	\$ 185	\$ 185	\$ 185	\$ 185	\$ 185
COMM DEVELOPMENT	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
MWRA	\$ 14,093	\$ 14,094	\$ 14,799	\$ 15,539	\$ 16,316	\$ 17,131
TOTAL	\$ 19,717	\$ 20,406	\$ 20,903	\$ 24,099	\$ 26,149	\$ 27,985
SEWER USE CHARGE REVENUE	\$ 20,000	\$ 20,406	\$ 20,903	\$ 24,099	\$ 26,149	\$ 27,985
% INCREASE		2.0%	2.4%	15.3%	8.5%	7.0%

ASSUMPTIONS:

- MWRA INCREASES BY 5% ANNUALLY.
- PUBLIC WORKS INCREASES BY 4% IN OUT YEARS.
- CAPITAL AS SHOWN.
- DEBT ISSUE INCREASES ACCORDING TO CAPITAL PLAN.
- ALL OTHERS REMAIN CONSTANT.

TABLE 5

COMBINED WATER / SEWER REVENUE RATE PROJECTIONS
 (\$ IN 000's)

		FY99		FY00		FY01		FY02		FY03		FY04
WATER	\$	10,750	\$	11,075	\$	11,518	\$	11,979	\$	12,458	\$	12,956
SEWER	\$	20,000	\$	20,406	\$	20,903	\$	24,099	\$	26,149	\$	27,985
TOTAL	\$	30,750	\$	31,481	\$	32,421	\$	36,078	\$	38,607	\$	40,941
% INCREASE		2.4%		3.0%		11.3%		7.0%		6.0%		

Consent Agenda #1.

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Communication relative to block rates
for water consumption and sewer use
for the period beginning April 1,
1999 and ending March 31, 2000.

In City Council March 22, 1999

ORDER ADOPTED

9-0-0.