

City of Cambridge

The Committee on Finance conducted a public hearing on Thursday, March 15, 1990 in the Sullivan Chamber, City Hall beginning at 6:44 p. m.

Present at the meeting were: Councillor Cyr, Councillor Myers, Councillor Walsh and City Clerk Joseph E. Connarton.

Councillor Cyr, Chairman of the above referenced committee opened the meeting by stating that he thought it was important to receive an overview of the water rates as we enter FY 91.

At this time he introduced City Manager Robert W. Healy who outlined to the committee his memorandum dated February 26, 1990 (a copy of which is attached) which describes the City Manager's recommendations for water rates for the billing period covering FY 90-91. Furthermore the City Manager outlined his proposal to establish a elderly discount program which would become effective July 1, 1990 and would allow owner occupants over the age of 65 a maximum discount of \$50.00 annually.

Responding to questions from Councillor Cyr, James Maloney, Assistant City Manager for Fiscal Affairs, stated that water consumption levels thus far in 1990 have decreased in that both resident billable, commercial and institutional consumption is also down somewhere in the area of 10% to 15%. He further stated this consumption decline is consistent with statistical information gathered from the Massachusetts Water Resources Authority.

Responding to question from Councillor Myers, Mr. Maloney stated that the city debt as it relates to Payson Park construction for FY 90 is currently \$690 thousand dollars with an estimated projection of \$1 million 90 thousand dollars for FY 91. Mr. Maloney outlined the requirement from the Environmental Protection Agency that Payson Park be covered to preserve the water reservoir.

At this time the City Manager stated that the projected construction cost for Payson Park is \$12.7 million dollars, that bids have been received and a contract awarded for the construction. The City Manager stated that it is his intention to develop a financial plan whereby the complete cost of construction will be paid in ten years.

Councillor Myers questioned the City Manager regarding the capital cost of the Water Department.

The City Manager responded that the city continues to dedicate \$1 million annually to water/sewer line reconstruction or repair of the physical plant. He further stated that in 1985 he began a five year revenue projection analysis relative to the repair of the physical plant. The City Manager stated that a decision on the extent of repair and/or reconstruction of the facility will be done on the completion of the city audit and the time frame in question is set for 1994.

At this time Councillor Walsh raised a series of questions relative to a projected water rate increase. He stated that with the city's projection of 15% and a possible 20% by the Massachusetts Water Resources Authority consumers will be hard hit for water rates in the future.

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City Manager Robert W. Healy responded in the affirmative and further stated that although future water rates will be the highest in the city they are by far the lowest in the Commonwealth.

Councillor Cyr in relation to an elderly abatement stated that the City Manager would consider a hardship abatement for individuals under age 65.

The City Manager stated that he would be willing to take a look at such a proposal.

At this time the committee heard from John Moot, 44 Coolidge Hill Road, who raised a series of questions regarding the capital improvement fund as outlined in a 1986 memorandum by the City Manager and the water fund. Mr. Moot stated he was concerned that funds targeted for repair in the capital budget have not been completed.

Richard Rossi, Deputy City Manager, responded by stating that all large pipes in the City have been replaced or cement lined and therefore will service the city for another 100 years and that one-half million dollars have been set aside for pipe replacement.

At this time Councillor Cyr requested that the City Manager provide the committee with an outline of completed versus the capital budget process from 1986 to the present and further moved that the recommendation of the City Manager be referred to the full City Council without recommendation.

The hearing was adjourned at 7:40 p. m.

For the Committee,

s/ Ed Cyr
Councillor Ed Cyr
Chairman.



CITY OF CAMBRIDGE

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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	15.7	16.8	12.4
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	14.4	13.2	14.6
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>CATEGORY</u>	<u>WATER COSTS</u>		<u>% INCREASE</u>
	<u>FY 1990</u>	<u>FY 1991</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>CATEGORY</u>	<u>SEWER COSTS</u>		<u>% INCREASE</u>
	<u>FY 1990</u>	<u>FY 1991</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.	6,281	7,426	18.2%
	<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

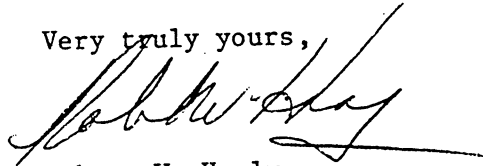
Because there is no data available as to the specific number of senior citizen homeowners in the City or the type of residence they occupy, the exact cost of the discount program is difficult to calculate. However, assuming that approximately 10 percent of the water/sewer accounts belong to senior citizens 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.

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

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	\$31.80 \$53.27 \$85.07
	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	\$89.19 \$149.76 \$238.96
	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	\$382.33	\$178.39 \$299.52 \$477.91
	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		\$259.43	\$573.49	\$267.58 \$449.28 \$716.87
	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	\$356.78 \$599.05 \$955.82
	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	
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		\$949.06	1,070		\$1,594.11	\$2,542.18	\$1,185.08 \$1,932.64 \$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 \$3,887.16 \$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			

USEE 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
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					

COMMITTEE REPORTS

Report from Councillor Cyr, Chairman
of the Committee on Finance, for a
hearing held on March 15, 1990 regarding
the water rates for FY 91.

In City Council,

March 19, 1990

*Report accepted
Order adopted
Accepting City Manager's
Recommendations.*