

City of Cambridge

MASSACHUSETTS

Mg's Agenda #14

In City Council 3-16, 1998

That the City Council Approve Block Rates for Water Consumption and Sewer Use as set forth in Agenda #14

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

9 0 -0 0

City of Cambridge

MASSACHUSETTS

In City Council 3/16, 1998

Agenda # 14 - water rates.

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

902

That project estimated at \$75,000,000 is currently out to bid and construction is expected to begin this summer. As the Table on page 4 indicates, the Water Fund balance will be drawn down in fiscal years 2000, 2001 and 2002 to help offset the large increase in annual debt service associated with the new treatment plant. The utilization of the Water Fund balance to lessen the impact of the new debt service combines with the rapid drop off in existing debt service (primarily that associated with the cover for the treated water facility located at Payson Park) to limit annual water rate increases to the vicinity of 6% despite the \$75,000,000 cost associated with the new plant.

The first debt on the treatment plant is expected to be issued in July of this year (\$40,000,000) and will generate \$1,000,000 in debt service costs during FY1999. However, that increase in debt service is offset by over \$1,000,000 of savings in operating costs as a result of the shut down of the existing plant. As the Table on page 4 illustrates, at its peak the debt service on the new plant is expected to total \$7,500,000 annually which is approximately 75% of the total FY1998 projected water related expenditures.

Table 1 below shows that combined water and sewer revenue requirements will increase by just over \$1,000,000 in fiscal 1999 or 3.5%. The 5.8% increase in sewer costs is attributable to the MWRA, \$540,000, and debt service related to the separation of storm and sanitary sewers here in the City, \$282,000.

TABLE 1
Combined Water/Sewer Revenue Requirements

	FY98 Revised	FY99 Projected	% Change
Water	\$11,350,000	\$11,350,000	-0-
Sewer	\$17,987,000	\$19,028,000	5.8%
Combined Water/Sewer Revenue	\$29,337,000	\$30,378,000	3.5%

TABLE 2
Average Change to Residential Bills

Residential Type	FY98 Revised	FY99 Projected	Amount	% Change
Single Family	580	600	\$20	3.5%
Two Family	706	731	\$25	3.5%
Three Family	1,044	1,080	\$36	3.5%

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 FY97, over 2,600 households took advantage of the discount programs, at a savings of approximately over \$185,000.

FUTURE OUTLOOK FOR RATES

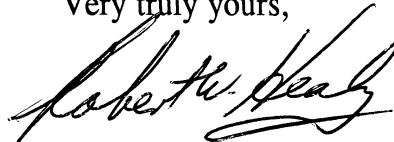
Tables 3, 4 and 5 contain five year forecasts of water and sewer revenue requirements. As already stated, the largest impact on rates over the next few years will be debt service costs related to the construction of the new water treatment plant. Work on this project is expected to begin this summer and tentative financing plans call for the issuance of \$40,000,000 in debt for the project this summer and \$35,000,000 in July of 1999. The projections also assume that the city is responsible for the full costs of construction. Once the successful bid is available for the treatment plant project, I will forward a request for bond authorization to the City Council. This request will likely be sent to you in June.

The sewer projections are based upon the preliminary FY1999 MWRA assessment and current MWRA forecasts. These are rough estimates and largely beyond the City's control.

CONCLUSION

The City is currently involved in over \$30,000,000 in sewer projects and is about to embark upon the single largest capital project in the City's history, the \$75,000,000 water treatment plant. These two projects 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,



Robert W. Healy
City Manager

RWH/mec

Table 3

Water User Charge Projections FY98-03
(\$ in 000s)

	FY98	FY99	FY00	FY01	FY02	FY03
Expenditures:						
Operating	5,442	4,075	4,238	4,408	5,408	5,624
Existing Debt	3,541	3,388	2,845	1,686	665	638
New Debt	-	1,000	4,875	7,500	7,312	7,124
Capital	600	600	600	600	600	600
Finance	185	185	185	185	185	185
Conservation	3	3	3	3	3	3
Public Works	147	147	147	147	147	147
Community Development	30	30	30	30	30	30
Rent	-	400	400	-	-	-
Subtotal	9,948	9,828	13,323	14,559	14,350	14,351
To Fund Balance	1,402	1,522	-	-	-	-
Total	11,350	11,350	13,323	14,559	14,350	14,351

Assumptions:

Operating Budget increases by 4% in FY00, FY01, and FY03, and by \$1,000,000 in FY02.

New Debt:

July, 1998	40,000,000
July, 1999	35,000,000

Assumes \$10,000,000 in MWRA Charges Bonded

**Revenue / Change in
Fund Balance**

Beginning Fund Balance	3,431	4,833	6,355	4,855	2,855	1,855
User Charges	11,350	11,350	11,823	12,559	13,350	14,351
From Fund Balance	-	-	1,500	2,000	1,000	-
Total Revenue	11,350	11,350	13,323	14,559	14,350	14,351
Total Expenditures	9,948	9,828	13,323	14,559	14,350	14,351
To Fund Balance	1,402	1,522	-	-	-	-
From Fund Balance	-	-	1,500	2,000	1,000	-
Ending Fund Balance	4,833	6,355	4,855	2,855	1,855	1,855
Projected Rate Increase	-	-	4.2%	6.2%	6.3%	7.5%

Table 4

Sewer Projections FY98-03
(\$ on 000s)

	FY98	FY99	FY00	FY01	FY02	FY03
Public Works Operating	1,061	1,103	1,148	1,193	1,241	1,291
Capital	1,855	2,070	2,070	2,070	2,070	2,070
Existing Debt	1,304	1,266	1,096	1,124	1,203	1,232
New Debt	-	282	579	891	936	981
Finance	185	185	185	185	185	185
Community Development	30	30	30	30	30	30
MWRA	13,552	14,092	15,078	16,133	17,263	18,472
Total	17,987	19,028	20,186	21,626	22,928	24,261
% Increase	-	5.8%	6.1%	7.1%	6.0%	5.8%
Existing Debt						
Sewer Service	1,218	1,266	1,096	1,124	1,203	1,232
MWPAT Subsidy	1,531	1,520	1,475	1,428	1,379	1,328
Total	2,749	2,786	2,571	2,552	2,582	2,560
MWPAT Subsidy						
5/93 Issue	548,965	532,592	515,498	497,619	478,881	459,215
5/95 Issue	586,213	570,240	553,533	536,041	517,709	498,479
5/97 Issue	395,684	417,652	406,072	394,290	382,278	370,020
Total	1,530,862	1,520,484	1,475,103	1,427,950	1,378,868	1,327,714
New Debt						
Sewer Service	-	282,000	579,000	891,000	936,000	981,000
MWPAT Subsidy	-	513,000	1,011,000	1,494,000	1,449,000	1,404,000
Total	-	795,000	1,590,000	2,385,000	2,385,000	2,385,000

Table 5

**Combined Water / Sewer Revenue Projections
(\$ in 000s)**

	FY98	FY99	FY00	FY01	FY02	FY03
Water	11,350	11,350	11,823	12,559	13,350	14,351
Sewer	17,987	19,028	20,186	21,626	22,928	24,261
Total	29,337	30,378	32,009	34,185	36,278	38,612
% Increase	-	3.5%	5.4%	6.8%	6.1%	6.4%



CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300
FAX 349-4307



14.

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

March 16, 1998

RICHARD C. ROSSI
Deputy City Manager

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, 1998 and ending March 31, 1999. The recommendation calls for no increase in water rates and a 5.8% increase in sewer rates. Overall, consumers will see a 3.5% increase in their annual water/sewer bill.

	Annual Consumption	FY98 Water Rate	FY99 Proposed Water Rate	FY98 Sewer Rate	FY99 Proposed Sewer Rate
Block 1	0 - 40 CcF	\$1.92	\$1.92	\$3.27	\$3.46
Block 2	41 - 400 CcF	\$2.07	\$2.07	\$3.46	\$3.66
Block 3	401 - 2,000 CcF	\$2.19	\$2.19	\$3.73	\$3.95
Block 4	2,001 - 10,000 CcF	\$2.34	\$2.34	\$4.01	\$4.25
Block 5	Over 10,000 CcF	\$2.51	\$2.51	\$4.26	\$4.51

* 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.

Rates are traditionally established so that revenues generated by them cover one hundred percent of related costs. However, beginning in FY1997, the City Council has established water rates that have not only covered anticipated expenses, but that have also allowed for annual increases in the balance of the Water Fund. The increase in the Water Fund balance has occurred in anticipation of the construction of a new water treatment plant.

Consent Agenda #14

S-151

Relative to block rates for water
consumptino and sewer use for the
period beginning April 1, 1998 and
ending March 31, 1999.

In City Council March 16, 1998

ORDER ADOPTED

9-0-0.