

City of Cambridge

MASSACHUSETTS

Agenda # 18 - Water and sewer rates

In City Council March 20

1995

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

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City of Cambridge

Agenda Item #18
IN CITY COUNCIL

March 20, 1995

ORDERED: That the following block rates for water consumption and sewer use in the City of Cambridge be in effect for the period beginning April 1, 1995 and ending March 31, 1996.

	<u>Annual Consumption</u>	<u>Water Rate (Per Ccf)*</u>	<u>Sewer Rate (Per Ccf)*</u>
Block 1	0-40 Ccf	\$1.53	\$3.22
Block 2	41-400 Ccf	\$1.65	\$3.41
Block 3	401-2,000 Ccf	\$1.75	\$3.67
Block 4	2,000-10,000 Ccf	\$1.87	\$3.95
Block 5	Over 10,000	\$2.00	\$4.19

*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 Citizen 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 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 years of age 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.

In City Council March 20, 1995.
Adopted by a ye and nay vote:-
Yeas 8; Nays 0; Absent 1.
Attest:-D. Margaret Drury, City Clerk.

A true copy; *D. Margaret Drury*

ATTEST:-

D. Margaret Drury
City Clerk

18.



CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011
FAX. 868-8159

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

March 16, 1995

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, 1995 and ending March 31, 1996.

	Annual Consumption	Water Rate (Per CcF)*	Sewer Rate (Per CcF)*
Block 1	0-40 CcF	\$1.53	\$3.22
Block 2	41-400 CcF	\$1.65	\$3.41
Block 3	401-2,000 CcF	\$1.75	\$3.67
Block 4	2,001-10,000 CcF	\$1.87	\$3.95
Block 5	Over 10,000 CcF	\$2.00	\$4.19

* 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 revenues 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 1st, but bills reflecting the new rates are not actually issued until after July 1st. Each year water and sewer rates are set prior to adoption of the Cambridge City budget and the MWRA budget. Once the budgets are adopted, the Finance Department updates water and sewer projections for the current fiscal year. Revenue and expenditures are monitored closely throughout the year, and projections are updated periodically. For the purposes of this presentation, three sets of numbers are shown, the original projections made prior to setting water and sewer rates last year, the most recent projections for FY95 and projections for FY96, which are based on estimated, but not yet budgeted, revenue and expense levels. As always, rates are established so that revenues generated by them cover

100% of related costs.

For FY96, water related expenses are projected to total \$9,400,050, an increase of \$208,861, or 2.3% over the revised FY95 projections, while sewer related expenses are projected to total \$17,353,196, an increase of \$1,788,188, or 11.5%. Because of lower consumption levels, however, water and sewer rates must increase by 3.7% and 13.3%, respectively, to generate enough revenue to cover expenses in FY96.

WATER ISSUES:

Table I below itemizes revenues and 7 categories of expenses. Water funded debt service is expected to increase by \$545,666 as a result of water supported debt issued in FY95. This is offset by a \$600,000 reduction in pay-as-you-go capital expenses.

**TABLE I
WATER FY95 & FY96 REVENUE AND EXPENSE ANALYSIS**

	FY95 Original Projection	FY95 Revised Projection	FY96 Projection	Variance From Revised	% Change
Revenues	\$9,105,030	\$9,069,000	\$9,400,050	\$331,050	3.7%
Expenses:					
Operating	4,995,000	5,096,805	5,360,000	263,195	5.2%
Capital	1,200,000	1,200,000	600,000	-600,000	-50.0%
Debt Service	2,544,980	2,529,334	3,075,000	545,666	21.6%
Public Works	147,000	147,000	147,000	0	0.0%
Finance	185,000	185,000	185,000	0	0.0%
Conservation	3,050	3,050	3,050	0	0.0%
Executive	30,000	30,000	30,000	0	0.0%
Total Expenses	9,105,030	9,191,189	9,400,050	208,861	2.3%
Revenue Surplus/Deficit	\$0	-\$122,189	\$0		

SEWER ISSUES:

FY96 marks the introduction of a new wholesale sewer rate methodology implemented by the MWRA. The new methodology allocates MWRA costs among 43 cities and towns based primarily on wastewater flows and loads and population. This methodology replaces the old population-based allocation. As with prior years, the forecast MWRA charge is preliminary and may be adjusted prior to the adoption of the MWRA budget.

Table II itemizes revenues and 6 categories of expenses. The preliminary MWRA charge has increased by \$1,669,352 or 13.5 % over the FY95 revised projection. Approximately 37.0% of this increase is due to increased MWRA costs. The balance of the increase is due to the sewer rate methodology change.

The City of Cambridge is currently preparing an appeal to the preliminary MWRA charge. The City has reasonable evidence that wastewater volume, on which part of our charge is based, was overstated significantly. This could result in a reduction of our bill by more than \$500,000. If this reduction is realized, it will be passed on to our sewer customers in the form of lower rates.

TABLE II
SEWER FY95 & FY96 REVENUE AND EXPENSE ANALYSIS

	FY95 Original Projection	FY95 Revised Projection	FY96 Projection	Variance From Revised	% Change
Revenues	\$16,393,825	\$15,313,590	\$17,353,196	\$2,039,606	13.3%
Expenses:					
Operating	1,002,435	1,004,535	1,029,000	24,465	2.4%
Capital	950,000	950,000	950,000	0	0.0%
Debt Serv	994,800	994,800	1,089,171	94,371	9.5%
Finance	185,000	185,000	185,000	0	0.0%
Executive	30,000	30,000	30,000	0	0.0%
MWRA	13,231,590	12,400,673	14,070,025	1,669,352	13.5%
Total Exp	16,393,825	15,565,008	17,353,196	1,788,188	11.5%
Revenue Srpls/Dfct	\$0	-\$251,418	\$0		

IMPACT ON RATEPAYERS:

As table III shows, the combined water and sewer revenue requirement increase is 9.7%, or \$2,370,656.

**TABLE III
COMBINED WATER/SEWER REVENUE REQUIREMENTS**

	FY95 Original Projection	FY96 Projection	Change
Water Revenue	\$9,069,000	\$9,400,050	3.7%
Sewer Revenue	15,313,590	17,353,196	13.3%
Total Revenue	\$24,382,590	\$26,753,246	9.7%

**TABLE IV
AVERAGE CHANGE TO RESIDENTIAL BILLS**

Residence	FY95 Average Annual Bill	FY96 Average Annual Bill	Variance	% Change
Single Family	\$450	\$493	\$43	9.7%
Two Family	\$603	\$661	\$58	9.7%
Three Family	\$823	\$903	\$80	9.7%
Four-Eight Family	\$1,360	\$1,492	\$132	9.7%

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 1st 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 FY94, 2,571 households took advantage of the discount programs, which will cost the City approximately \$175,000.

FUTURE OUTLOOK FOR RATES:

Tables V and VI contain 5 year forecasts of water and sewer revenue requirements. Please be advised that the tables do not include the impact of a possible new water treatment plant. Furthermore, the 5 year sewer revenue requirement forecast assumes that MWRA charges will increase by 10% annually in FY97 and FY98 and 5% thereafter. This is an extremely rough estimate and may change depending on the cost of the Boston Harbor cleanup. It is a very important component, however, since the bulk of the sewer revenue requirement is the result of MWRA charges. Water consumption and sewer abatements may also continue to have an effect on future block rates.

TABLE V
5 YEAR FORECAST OF WATER REVENUE REQUIREMENTS

	FY96	FY97	FY98	FY99	FY00
Operating	\$5,360,000	\$5,574,000	\$5,797,000	\$6,029,000	\$6,270,000
Capital	600,000	600,000	1,200,000	1,200,000	1,200,000
Existing Debt	2,910,000	2,824,000	2,496,000	2,379,000	1,872,000
New Debt	165,000	880,000	880,000	880,000	880,000
Public Works	147,000	147,000	147,000	147,000	147,000
Finance	185,000	185,000	185,000	185,000	185,000
Conservation	3,050	3,050	3,050	3,050	3,050
Executive	30,000	30,000	30,000	30,000	30,000
Total	\$9,400,050	\$10,243,050	\$10,738,050	\$10,853,050	\$10,587,050
% Increase	2.3%	9.0%	4.8%	1.1%	-2.5%

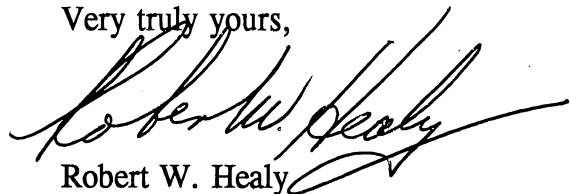
TABLE VI
5 YEAR FORECAST OF SEWER REVENUE REQUIREMENTS

	FY96	FY97	FY98	FY99	FY00
Operating	\$1,029,000	\$1,070,000	\$1,113,000	\$1,157,000	\$1,204,000
Capital	950,000	950,000	950,000	950,000	950,000
Exist Debt	1,046,421	1,189,716	893,045	897,743	729,702
New Debt	42,750	526,150	817,450	1,108,750	1,400,050
Finance	185,000	185,000	185,000	185,000	185,000
Executive	30,000	30,000	30,000	30,000	30,000
MWRA	14,070,025	15,477,028	17,024,730	17,875,967	18,769,765
Total	\$17,353,196	\$19,427,894	\$21,013,225	\$22,204,459	\$23,268,517
% Change	11.5%	12.0%	8.2%	5.7%	4.8%

CONCLUSION:

After two years of somewhat modest rate increases, ratepayers will face a steeper 9.7% increase. While some of this increase is due to a one-time event, the implementation of a new MWRA sewer rate methodology, future rate increases may continue to be higher than for FY94 and FY95 pending the outcome of an analysis of our water treatment facilities.

Very truly yours,



Robert W. Healy
City Manager

Agenda # 18

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Water consumption and sewer use
rates for period April 1, 1995
thru March 31, 1996.

In City Council,

March 20, 1995

Order adopted
8-0-1.