



City of Cambridge

Consent Agenda #5

IN CITY COUNCIL

April 2, 2001

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, 2001 and ending March 31, 2002.

	<u>Annual Consumption</u>	<u>Water Rate (Per Ccf)*</u>	<u>SewerRate (Per Ccf)*</u>
Block 1	0-40 Ccf	\$2.36	\$4.17
Block 2	41-400 Ccf	\$2.55	\$4.42
Block 3	401-2,000 Ccf	\$2.69	\$4.75
Block 4	2,001-10,000 Ccf	\$2.87	\$5.12
Block 5	Over 10,000 Ccf	\$3.10	\$5.43

*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 15 percent or 30 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 15 percent discount. This discount may not exceed \$90 for the fiscal year. To qualify for the 30 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 \$180 for the fiscal year.

In City Council April 2, 2001.

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

and continuing for the next several, a portion of the fund balance from the water fund will be utilized to help offset large increases in the annual debt service required to fund the new water treatment plant. There is also a significant increase in the Water Department FY02 operating budget that reflects the full cost of operating the new plant. Table 3 on page 4 indicates the details of water fund actual and projected revenues and expenditures for the years 2001 to 2006.

For FY2002 sewer rates are required to increase by 12.3% primarily to cover an increase of approximately \$4,500,000 in sewer debt service. The debt service increase is attributed in large part to the following sewer projects currently underway: Fresh Pond sewer separation; New Street pump station; South Massachusetts Avenue; and combined manhole removal. It is important to note that since May of 1998 the City Council has authorized \$136,867,000 for water and sewer capital projects. This impressive investment in our water and sewer systems represents significant progress towards ensuring that Cambridge will continue to benefit throughout the century from a healthy and environmentally sound water and sewer system. In addition to projects underway, the five-year capital plan calls for an additional investment of approximately \$100,000,000 (primarily sewer, \$85,000,000) in the water and sewer systems. The additional funds for water will be used mainly for improvements to the distribution system while sewer improvements are projected to continue in the following areas: South Massachusetts Avenue; Agassiz Neighborhood; Fresh Pond Sewer Separation; Cambridgeport; and the continued elimination of common manholes.

It is important to note the state's contribution to our water and sewer capital improvement program. In FY2002, state subsidies on water and sewer debt will total \$4,115,000 (\$2,798,000 sewer/\$1,317,000 water) representing almost 12% of a consumer's annual water/sewer bill. Table 4 on page 5 indicates the detail of sewer-related expenditures and revenues for the years 2001 to 2006. Table 1 below summarizes the increase in water and sewer metered revenue, while Table 2 presents the estimated average change to residential water/sewer bills.

TABLE 1
Combined Water/Sewer Metered Revenue

	FY01 Revised	FY02 Projected	% Change
Water	\$12,700,000	\$13,500,000	6.3%
Sewer	\$19,500,000	\$21,901,679	12.3%
Combined Water/Sewer Revenue	\$32,200,000	\$35,411,679	9.9%

TABLE 2
Average Change to Residential Bills

Residential Type	FY01 Revised	FY02 Projected	Annual Variance	% Change
Single Family	\$661	\$726.44	\$65.44	9.9%
Two Family	\$805	\$884.70	\$79.70	9.9%
Three Family	\$1,190	\$1,307.81	\$117.81	9.9%

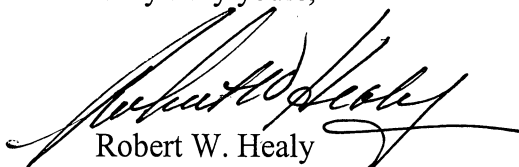
SENIOR DISCOUNT PROGRAM

There are currently, 2,805 homeowners who qualify for the age 65+ water/sewer 10% discount (not to exceed \$60 annually) which is not tied to the homeowner's income. There are also 203 elderly homeowners who qualify for an income-based discount, which totals 25% not to exceed \$150 annually. Beginning in FY02, I recommend that the City Council increase the age 65+ non-income related discount to 10% not to exceed \$90 annually and the income related discount to 30% not to exceed \$180. This increase in the elderly discount program would be the first in several years and would serve to reduce the average increase to elderly homeowners by roughly 46%. To qualify for the 30% discount, a homeowner must be 70 or older and must have been granted the Clause 41C elderly real estate exemption. For FY02, the income guidelines are as follows: single, income of \$13,637 with assets of \$29,372; married, income of \$15,735 and assets not to exceed \$31,470.

FUTURE OUTLOOK FOR RATES

Tables 3, 4 and 5 contain five-year forecasts for water and sewer revenue estimates. As can be seen in Table 5, the annual combined water/sewer rate is projected to increase by approximately 10% for the next few years. This projected increase is the result of the City's aggressive infrastructure improvement program mentioned above. The City Council should be aware that there are two external factors that could alter (positively or negatively) these projections. The first factor is the MWRA's annual charge to the City of Cambridge. Currently, the state subsidizes a portion of the MWRA's annual debt service, thus reducing the agency's cost to member communities. For FY02, the Governor's proposed budget does not continue the state subsidy. Should the Governor's recommendation be approved, the FY02 MWRA sewer charge to the City would be \$582,000 higher than the proposed FY02 Cambridge sewer use rate would support, resulting in an additional increase of 3% in the sewer rate. The second external factor that could change the five-year water/sewer revenue projections is consumption. During the last calendar year, water consumption fell by roughly 5%. It is unclear what caused the flow reduction, although additional conservation methods used by consumers or an unusually cool and wet summer are the two most likely causes. However, most of the drop in the consumption occurred over the period June through September indicating wet weather as the cause. Should the wet summer weather of last year be the cause there would likely be no long-term impact on rates. However, a continued drop in water consumption as a result of conservation could result in higher rates than currently projected for the future. We will continue to monitor both of these external factors and will keep the City Council informed.

Very truly yours,



Robert W. Healy
City Manager

RWH/mec
Attachments

Table 3
Water Projections FY01-06
(Revised 3/29/01)

Water Expenditures:		FY01	FY01	FY02	FY03	FY04	FY05	FY06
		Budget	Projected	Projected	Projected	Projected	Projected	Projected
1 Operating		6,801,905	5,805,760	7,648,440	7,954,377	8,272,552	8,603,454	8,947,593
2 Existing Debt		8,005,118	8,146,810	8,551,560	8,368,925	8,185,290	7,944,900	7,576,245
3 New Debt		174,775	-	197,370	996,380	945,565	923,970	887,595
4 Capital		1,100,000	1,100,000	1,238,000	1,000,000	1,000,000	1,000,000	1,000,000
5 Finance		185,000	185,000	185,000	185,000	185,000	185,000	185,000
6 Conservation		6,870	14,870	14,870	14,870	14,870	14,870	14,870
7 Public Works		147,000	147,000	147,000	147,000	147,000	147,000	147,000
8 Community Development		30,000	30,000	30,000	30,000	30,000	30,000	30,000
9 Subtotal		16,450,668	15,429,440	18,012,240	18,696,552	18,780,277	18,849,194	18,788,303
10 To Fund Balance		-	608,155	-	-	-	-	-
11 Total		16,450,668	16,037,595	18,012,240	18,696,552	18,780,277	18,849,194	18,788,303
Assumptions:								
1) Operating Budget for FY02 is based on City Manager's Submitted Budget and increases 4% for FY03-06.								
2) New debt is based on bonding the remainder of the Water Treatment Plant (\$5,546,850) and Stony Brook Conduits (\$1,000,000) in FY02.								
3) Capital as shown.								
4) All others remain constant.								
Revenue / Change in Fund Balance								
1 Beginning Fund Balance		9,637,537	9,469,000	8,177,155	5,781,850	3,673,850	2,498,850	2,498,850
2 Meter Revenue		12,992,000	12,700,000	13,500,000	14,519,097	15,584,477	16,878,284	16,868,548
3 Miscellaneous Water Charges		920,000	800,000	800,000	800,000	800,000	800,000	800,000
4 Interest		-	-	-	-	-	-	-
5 MWPAT Subsidy		637,597	637,595	1,316,935	1,269,455	1,220,800	1,170,910	1,119,755
6 From Fund Balance		1,901,071	1,900,000	2,395,305	2,108,000	1,175,000	-	-
7 Total Revenue		16,450,668	16,037,595	18,012,240	18,696,552	18,780,277	18,849,194	18,788,303
8 Total Expenditures		16,450,668	15,429,440	18,012,240	18,696,552	18,780,277	18,849,194	18,788,303
9 To Fund Balance		-	608,155	-	-	-	-	-
10 From Fund Balance		1,901,071	1,900,000	2,395,305	2,108,000	1,175,000	-	-
11 Ending Fund Balance		7,736,466	8,177,155	5,781,850	3,673,850	2,498,850	2,498,850	2,498,850
12 Projected Rate Increase		12.0%	9.5%	6.3%	7.5%	7.3%	8.3%	-

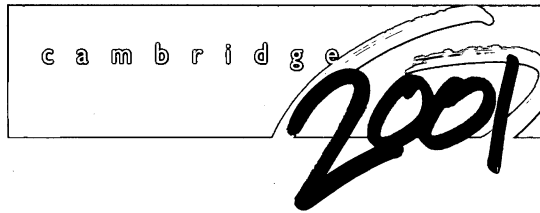
Table 4
Sewer Projections FY01-06
(Revised 3/27/01)

Sewer Expenditures								
	FY01	FY01	FY02	FY03	FY04	FY05	FY06	
	Budget	Revised	Projected	Projected	Projected	Projected	Projected	Projected
1 Public Works	1,392,630	1,384,350	1,656,485	1,706,180	1,757,365	1,810,086	1,864,388	
2 Capital	3,450,000	3,450,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	
3 Existing Debt	2,710,979	2,710,979	7,314,388	7,177,158	6,631,016	5,874,157	4,838,281	
4 New Debt	619,641	605,822	445,039	2,500,886	5,423,041	8,111,307	9,346,705	
5 Finance	185,000	185,000	185,000	185,000	185,000	185,000	185,000	
6 Community Development	30,000	30,000	30,000	30,000	30,000	30,000	30,000	
7 MWRA	14,353,924	13,954,065	14,248,545	14,960,972	15,709,021	16,494,472	17,319,196	
8 Total	22,742,174	22,320,216	25,529,457	28,210,196	31,385,443	34,155,022	35,233,570	
Assumptions:								
1) MWRA increases 4% annually FY03-06.								
2) Public Works increases by 1% in FY02 and 3% in FY03-06.								
3) Capital funded at \$1,900,000 in FY02-06.								
4) Debt Service increases according to Capital Plan.								
5) All others remain constant.								
Financing Plan								
1 Sewer Service Charge	20,489,224	19,500,000	21,901,679	24,486,969	27,036,478	30,124,685	31,736,345	
2 Non-Metered Sewer Revenues	825,000	825,000	825,000	825,000	825,000	825,000	825,000	
3 MWPAT Subsidy (Existing)	1,427,950	1,427,950	2,798,428	2,706,004	2,393,794	2,094,712	1,580,471	
4 MWPAT Subsidy (New)	-	125,540	4,350	192,223	1,130,171	1,110,625	1,091,754	
5 Total	22,742,174	21,878,490	25,529,457	28,210,196	31,385,443	34,155,022	35,233,570	
6 % Increase	-	-	12.3%	11.8%	10.4%	11.4%	5.4%	

Table 5
Combined Water and Sewer Projections
FY01-06 (Revised 3/29/01)

	FY01	FY01	FY02	FY03	FY04	FY05	FY06
	Budget	Projected	Projected	Projected	Projected	Projected	Projected
Metered Sewer Revenue	20,489,224	19,500,000	21,901,679	24,486,969	27,036,478	30,124,685	31,736,345
Metered Water Revenue	12,992,000	12,700,000	13,500,000	14,519,097	15,584,477	16,878,284	16,868,548
Total	33,481,224	32,200,000	35,401,679	39,006,066	42,620,955	47,002,969	48,604,893
% Increase	7.6%	3.5%	9.9%	10.2%	9.3%	10.3%	3.4%

5



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager Richard C. Rossi, Deputy City Manager

April 2, 2001

To The Honorable, The City Council:

RECOMMENDATIONS

1. That the City Council approve the following block rates for water consumption and sewer use for the period beginning April 1, 2001 and ending March 31, 2002. The recommendation calls for a 6.3% increase in water rates and a 12.3% increase in sewer rates. Overall, consumers will see a 9.9% increase in their annual water/sewer bill.
2. That the City Council establish the Senior Citizen Discount Program at 15% annually not to exceed \$90 annually, an increase from 10% or \$60 annually.
3. That the City Council establish a 30% discount not to exceed \$180 annually for senior citizen homeowners who qualify for tax abatements under Clause 41C (low income). The existing discount is 25% not to exceed \$150 annually.

	Annual Consumption	FY01 Water Rate	FY02 Proposed Water Rate	FY01 Sewer Rate	FY02 Proposed Sewer Rate
Block 1	0 – 40 CcF	\$2.22	\$2.36	\$3.71	\$4.17
Block 2	41 – 400 CcF	\$2.40	\$2.55	\$3.93	\$4.42
Block 3	401 – 2,000 CcF	\$2.53	\$2.69	\$4.23	\$4.75
Block 4	2,001 – 10,000 CcF	\$2.70	\$2.87	\$4.56	\$5.12
Block 5	Over 10,000 CcF	\$2.91	\$3.10	\$4.83	\$5.43

* 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 of the 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 the last fiscal year (2000)



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Consent Agenda #5

Block rates for water
consumption and sewer
use for the period beginning
April 1, 2001 and ending
March 31, 2001.

In City Council April 2, 2001

ORDER ADOPTED

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