

Memorandum

To: Board of Selectmen
Martha White, Town Administrator

From: Michael Walters Young, Deputy Town Administrator
Robert Palmer, Finance Director
Bill Chenard, DPW Business Manager

Date: Friday, May 15, 2009

Re: Follow-ups on Water/Sewer Rate Hearing Questions

At your last meeting of May 4th, the Board of Selectmen in the role of Water/Sewer Commissioners asked a series of questions during the first part of a public hearing held to establish water & sewer rates for FY 2010. This memorandum attempts to answer those questions. Also attached to this memorandum are two items of public correspondence to the Water & Sewer Commissioners regarding rate setting in FY 2010.

It is not the intent of staff to continue discussion of rate setting on May 18th as the public hearing has been suspended until your next regularly scheduled meeting of June 1st. If you have additional questions about these materials, or have additional requests of staff in advance of June 1st after reading these materials, please contact me at either (508) 647-6404 or myoung@natickma.org.

Questions:

- **Question:** Can staff provide the transcript of meetings from last year and letters & correspondence from J. McGee and P. Franchi to BOS.
 - **Answer:** Yes, these items are attached as Items 1 & 2.
-
- **Question:** What would be the total amount of money be raised from the \$5.00 administrative service fee if we only billed per meter versus per dwelling unit for the averaged condominiums?
 - **Answer:** \$380 (This would be a drop in revenue of \$7,740, because by billing per condominium unit we currently raise \$8,120).
-

- **Question:** What would the effect be on the rates and what would be the gross dollar impact if we do away with averaging for condominiums?
- **Answer:** The gross dollar impact would be approximately \$840,000 if we do away with averaging for condominiums, which would result in a rate decrease of 5.75% for most users of water & sewer services.

- **Question:** How much do we save and more importantly how does Water & Sewer benefit from lower Natural Gas costs?
- **Answer:** Nstar bills the cost of natural gas and electricity at two rates, winter and summer. The winter natural gas rates are effective from November through April. Summer natural gas rates are effective May through October. Winter natural gas rates are historically higher than summer rates. This is attributable to the large demand for the winter heating season. Summer electricity rates are effective June through September and have historically been higher than the winter rates due to the demand for summer cooling.

Nstar announced a natural gas rate reduction effective May 1, 2009 from \$1.2424 per therm to \$.3848. This rate applies to the cost of gas only and only during the months of May through October. This will translate into a moderate savings for Natick. Eighty seven percent of the town's natural gas use occurs during Nstar's winter months. Therefore only 13% of the town's natural gas use is affected.

Rates are divided into several tiers and types. The tiers are based on energy use, demand, and building use. Types are supply (referred to in the above paragraph as "cost"), transmission, transition, and distribution.

Natural Gas Rates

Rate	Period	Customer Charge	Distrib.	Distrib. Adj	Gas Supply	\$/Therm	Percent of Annual Use	Avg Annual Rate
G-41	Nov-Apr	\$15.19	\$0.25	\$0.0009	\$1.24	\$1.50	87%	\$1.37
G-41	May-Nov	\$15.19	\$0.17	\$0.0009	\$0.38	\$0.56	13%	
G-42	Nov-Apr	\$30.19	\$0.23	\$0.0009	\$1.24	\$1.47	87%	\$1.35
G-42	May-Nov	\$30.19	\$0.11	\$0.0009	\$0.38	\$0.50	13%	
G-43	Nov-Apr	\$100.19	\$0.22	\$0.0009	\$1.24	\$1.46	87%	\$1.33
G-43	May-Nov	\$100.19	\$0.08	\$0.0009	\$0.38	\$0.47	13%	

Historical Natural Gas Rates

	2006	2007	2008	2009 Projected	FY2010 Estimate
Avg\$/Therm	\$1.5250	\$1.2415	\$1.2668	\$1.4200	\$1.3500
Percent Change		-18.59%	2.03%	12.10%	-4.93%

The water and sewer division uses natural gas for heat of the water pump and treatment buildings and for emergency generators for both the sewer and water pump stations.

Historical Electricity Rates

	2006	2007	2008	2009 Projected	FY2010 Estimate
Avg\$/kW	\$0.1192	\$0.1219	\$0.1345	\$0.1558	\$0.1792
Percent Change		2.29%	10.34%	15.82%	15.00%

The water and sewer division uses electricity for lighting and energy for water pumps, treatment buildings, and the sewer pump stations. The town has two water storage reservoirs, 10 wells each with a pump, 34 sewer pumping stations each with two pumps.

Historical Water and Sewer Utility Costs and FY2010 Estimates

	2006	2007	2008	2009 Projected	FY2010 Estimate
Sewer Utilities	\$85,745.38	\$83,617.48	\$86,562.10	\$126,332.33	\$137,000.00
Water Utilities	\$377,846.54	\$381,631.13	\$372,526.97	\$526,922.00	\$570,000.00
Total	\$463,591.92	\$465,248.61	\$459,089.07	\$653,254.33	\$707,000.00

We reviewed our utility accounts after the Nstar rate announcement and recommended a reduction of \$30,000 from the water utility line item. Note that we also reduced the original request on the town utility line item by \$49,500.

Utility (Natural Gas, Electricity, Unleaded Fuel, Diesel Fuel, and Heating Oil) budgeting is very difficult. Rates and prices fluctuate dramatically over any given year and from year to year. Energy use also fluctuates from year to year. Use is primary driven by weather conditions. Heavy snow fall increases fuel use. A dry summer increases the amount of water pumped. Cold or hot weather increases gas and electrical use.

- **Question:** What about other new fees, i.e. New Framingham Fire Protection Line fees?
- **Answer:** Staff is still investigating the different types of fees which can be charged regarding Fire protection Fees. We were able to find out exactly what Framingham charges for their new Fire Protection Line Fees. That is provided below.

Framingham Fire Pipe Service Fees

Size (inches)	Current Rate
1.5" and less	\$22.66
2"	\$48.29
2.5"	\$86.84
3"	\$140.26
4"	\$298.91
6"	\$868.27
8"	\$1,850.31
10"	\$3,327.50
12"	\$5,374.83

- **Question:** Who are the big water users in Natick?
- **Answer:** The chart below shows the top 25 water users in Natick as of the last reading for FY 2009.

Rank	Type of Entity	Use (HCF)	Percent of Total Town Use
1	Commerical - Retail	39,509	2.80%
2	Residential - Multi-Unit	36,328	2.58%
3	Residential - Multi-Unit	19,850	1.41%
4	Residential - Multi-Unit	19,834	1.41%
5	Government (Federal)	12,924	0.92%
6	Commercial - Lodging	12,114	0.86%
7	Residential - Multi-Unit	11,906	0.84%
8	Office	10,669	0.76%
9	Office	10,106	0.72%
10	Government (Federal)	9,152	0.65%
11	Office	8,612	0.61%
12	Residential - Multi-Unit	8,425	0.60%
13	Residential - Multi-Unit	7,345	0.52%
14	Commercial - Lodging	7,317	0.52%
15	Residential - Multi-Unit	6,663	0.47%
16	Government (Local)	6,620	0.47%
17	Office	6,442	0.46%
18	Commercial - Lodging	6,065	0.43%
19	Commerical - Retail	5,447	0.39%
20	Office	5,205	0.37%
21	Residential - Multi-Unit	4,981	0.35%
22	Government (Local)	4,726	0.34%
23	Commercial	4,401	0.31%
24	Commerical - Retail	4,348	0.31%
25	Residential - Multi-Unit	4,284	0.30%
Top 25 Total		273,273	19.39%
Town Total		1,409,444	100.00%

- **Question:** How do we distinguish between a condominium and an apartment legally other than through the assessment process? Are they really so different?
- **Answer:** Staff has posed that question to Town Counsel and is awaiting a response. We will provide it to you at your meeting of June 1st.

Correspondence:

Item 1: Letter from Pasquale Franchi to Martha White dated December 3, 2008.

Item 2: Electronic Correspondence from John Magee to Michael Walters Young dated March 18, 2009.

Item 3: Letter from Bob Coates to Martha White dated May 13, 2009.

Item 4: Water and Sewer Enterprise Analysis and Comments from John Magee to Selectmen dated May 15, 2009.

PASQUALE FRANCHI

182 WEST CENTRAL STREET #303
NATICK, MASSACHUSETTS 01760

TELEPHONE (508) 650-4900

FACSIMILE (508) 651-0845

*Copy to
Michael
and to Donna
for correspondence*

December 3, 2008

Martha L. White, Town Ad
13 East Central Street
Natick, MA 01760

RE: Water/Sewer Rates

Dear Ms. White:

I am writing to voice my extreme disappointment in the town's decision to exclude residential apartment complexes from the cost averaging decision reached with regard to condominium units in the town, and to again request an appeal of this decision.

As the owner of Kendall Crossing Apartments, we were part of the appeal submitted by the condominiums (Natick Green, Deerfield Forest, Natick Village), claiming that the proposed water/sewer rates for FY2009 were unfair. While the condominiums were granted their appeal, we were not.

In reviewing the reasoning for this decision, as stated in your June 2, 2008 memorandum, I find the argument for your decision without merit. To say that averaging the cost for apartment complexes adds extraordinary complexity for your staff, but that averaging the cost for condominiums does not overly tax your staff, does not make sense. If we have an apartment complex with 354 units and 1 master meter, how difficult is it to divide that invoice by 354?

If your current software system cannot handle the cost averaging for multi-unit dwellings, then perhaps the town should wait to implement such a change until they have the upgraded software to handle such a change. Kendall Crossing should not be penalized because of the town's lack of appropriate technology, nor should our tenants be discriminated against with a higher rate than their neighbors. To say that a change might be considered in future years is vague and unacceptable.

I therefore request that the town reconsider this unfair and discriminatory decision. Should you feel a meeting is necessary, please so advise. If I don't hear from you within 15 days, I will turn this matter over to our attorney as I feel it is very unfair to our tenants.

Sincerely,


Pasquale Franchi

PF/smw

Item 1

RECEIVED

DEC - 5 2008

BOARD OF SELECTMEN
NATICK, MA

Walters Young, Michael

From: John Magee [mageejo@cs.bu.edu]
Sent: Wednesday, March 18, 2009 3:47 PM
To: Walters Young, Michael
Subject: RE: Water and Sewer Administrative Fee

Michael,

Thank you for writing back. I researched this a bit further by obtaining a DVD of the 6/16/08 meeting from Pegasus. Here is a transcript of the question that reflects the actual statement as accurately as possible:

Time on DVD: Title 1 - 02:26:30

Mr. Ciccariello: In the case of the condominiums, there was a discussion, there's approximately 4000 condominium units? That number came out.

Mr. Walters Young: I don't remember the exact amount.

Mr. Ciccariello: I'm sorry, no, it was 1000, I apologize. I think it was between 1000 and 1200. And if we bill the condominium association, four bills, at \$5, that's \$20. If we bill the 1000 or 1200 units (unclear - per bill), it's \$5 times 12 times 4, that's \$20 versus over \$20,000. What is the administration proposing to do?

Mr. Walters Young: The administration's initial proposal, was to do individual bills for every unit. Administration's current proposal is to maintain the current system, but average that mass bill, so not capture the potential revenue, if you will, of sending out individual bills to every Natick taxpayer, because the revenue generated from administrative service fees on every bill to every condominium is likely immediately going to be offset by the amount of staff time which is lost in producing individual bills for every condominium unit.

So, what we would propose doing currently, is to, or for the future starting July 1st, will be to do the averaging: take the read off the master meter, take a look at the property, divide by the number of units, average that one bill, multiply it back by that number of units, so you get the average read, and then send out one bill back to the condominium associations, thus the legwork and paperwork of splitting those bills remains as currently is done in the realm of the associations.

This is not ambiguous at all. It clearly states that the intention is to charge the service fee on a per bill basis and not on a per dwelling unit basis. Two main points that highlight this:

"so not capture the potential revenue" - The original question was if the town was going to capture this revenue by including the charge on a per dwelling unit basis. The answer is no.

"would likely going to be immediately offset by the amount of staff time which is lost in producing individual bills" - This statement, along with other comments in the meeting, directly affiliate the Administrative Service Fee with the creation of bills. This goes to my argument below that the fee is intended to cover meter reading, billing, and collection, and that averaging of condominium units will still involve one meter - A single meter needs to be maintained and read - A single bill is generated for that meter. - A single payment is collected and processed. I understand that considerable staff time has gone into manually calculating these bills so far, but once the system is automated it should not take (no. of units) times (time and effort to create a bill), and thus there is no justification for multiplying this fee times the number of dwelling units.

In all honesty, I'm more bothered by the process of what has happened than the actual fee itself. I think the should expect a level of transparency in that what is stated to happen is what actually happens. When the Selectmen voted to implement this system, they were told the above and so in my opinion their vote included the directions that was included in clarification questions. I'm not accusing anybody of maliciously doing anything in an attempt to capture this revenue, as you said, the minutes themselves were ambiguous. But ambiguous minutes really can't be an excuse for changing course on something behind the scenes. This probably really a symptom of unintentional miscommunication of policy, and partly the length of time it takes to prepare meeting minutes - since the billing department had to begin implementing the policy before minutes were available.

I hope that this can clarify the policy as stated in the 6/16/08 meeting and as voted by the Board of Selectmen. I believe the current policy is "one fee per bill" and I hope the appropriate fixes can be made to be in line with the policy.

Thank you,
-John

On Mon, 16 Mar 2009, Walters Young, Michael wrote:

> John,
>
> Thanks for the e-mail. This was a point of ambiguity during the
> conversations before the final approval of the rates with averaging in
> June 2008. Our review of the minutes leads us to believe that no
> conclusive direction was given by the Board of Selectmen on the point
> of the Administrative Service Fee application to individual condominiums.
> Given that there was no explicit direction, the Finance Department
> interpreted the direction of the Board to implement averaging under
> the same principle as stated in the memorandum - treat each
> condominium like a single-family home. That meant averaging the
> condominium meter read by the total number of dwelling units contained
> in each building the meter serves, and that means that each unit
> should receive an administrative service fee for each bill.
>
> My understanding from the Finance Director is that each meter which
> reads a condominium building is read, averaged, a fee is added for
> each unit, and then that appropriately averaged bill is sent to the
> condominium association. Mr. Palmer is Cc'd on this e-mail to correct
> me if I am wrong.
>
> The comments in the memorandum have been reviewed by the Water/Sewer
> Rate Subcommittee (Attachment A of Item 5a). Each board member should
> be available tonight for comment and/or reaction.
>

> Thanks for your continued interest and let me know if you have any
> more questions.
>
> Thanks.
>
> Michael
>
> Michael Walters Young
> Deputy Town Administrator
> Town of Natick, MA
> Phone: (508) 647-6404
> Cell: (508) 857-7722
> Fax: (508) 647-6401
> E-mail: myoung@natickma.org
> Web: www.natickma.org
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> -----Original Message-----
> From: John Magee [mailto:mageejo@cs.bu.edu]
> Sent: Monday, March 16, 2009 2:13 PM
> To: Walters Young, Michael
> Subject:
>
>
> Hi Michael,
>
> >From the memos online, it looks like you are heading up the water and
> sewer budget again. I do have one question/concern that maybe you can
> start looking into. I also sent substantially the same email to Josh
> Ostroff earlier but I wanted to you to be able to answer if I bring it
> up tonight.
>
>
>
> Our condo association has been having some back and forth with the
> Water and Sewer billing. One of the issues is the administrative service fee.
> If
> I recall correctly, this fee is supposed to be charged \$5 per bill,
> and not \$5 per dwelling unit. There is some discussion in the June 16,
> 2008 minutes but it's kind of ambiguous. One of the other members of
> the board asked if they could charge the \$5 per dwelling but the
> reasons for charging one per bill were something along these lines:
>
> -The fee is intended to cover meter reading, billing, and collection.
> -Averaging of condominium units will still involve one meter.
> -A single meter needs to be maintained and read.
> -A single bill is generated for that meter.
> -A single payment is collected and processed.
>
> In talking with our condominium management, it seems that the Natick

> Water billing department is under the impression that they should be
> charging
> \$5
> per dwelling unit. I don't believe this is what was intended by the
> board.
>
> I noticed this question in the memo to the board for this Monday's
> meeting:
> -----
> "Can the administrative service fee be billed for each meter for an
> averaged bill rather than one administrative service fee for each unit?
>
> Answer: Staff has administered averaging on one basic principle:
> equity to all. Condominium units have received one average bill per
> unit and thus one admin. service fee per bill, just like a single
> family homeowner.
> This follows internal policies developed by the Finance Department."
> -----
>
> The above statement is not entirely accurate. The condominium
> association receives one bill per meter and not one bill per dwelling
> unit. One service fee per bill would be consistent with the policy.
>
>
> I'm also planning to attend the Selectmen's meeting tonight.
>
> Thanks,
> -John Magee
>

4 Meadowbrook Road
Dover, MA 02030
14 May 2009

Item 3

Dear Ms. White:

At the end of Mr. Zockoff's (GRRT) speaking to the Selectmen (5/4/09 BoS meeting) on the premium paid by Dover users there was some discussion of his figures with regard to how much more out-of-town users were paying for water. I wanted to take this opportunity to clarify a couple of points so that the Selectmen would have all the numbers.

An "average" Natick user (26 HCF/Qtr) would pay \$60.30 for the water portion of their bill. ($\$5.00$ (Admin) + $10 \times \$1.38/\text{HCF}$ + $10 \times \$2.20/\text{HCF}$ + $6 \times \$3.25/\text{HCF}$ = \$60.30)

For the two Dover systems the cost would be approx. \$130.00 (26 x \$5.00/HCF). Because of the single master meter we move into the top tier after only a few days into each quarter. We are effectively already paying a flat rate – and it's the highest tier of the Water Only Multi Unit.

So, in this case a Dover user is paying **2.2 times** as much as a Natick user. (\$130.00 vs. \$60.30)

But let's look at the case of someone living alone who uses 82 gallons per day. This would work out to 10 HCF/Qtr and be billed at \$18.80 (\$5.00 (Admin) + $10 \times \$1.38/\text{HCF}$) in Natick.

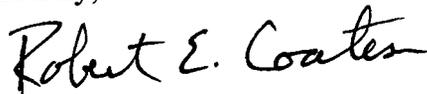
A Dover user (who is behind a master meter) who consumes the same amount is billed at the highest tier no matter how little water he uses. So for that same 82 GPD his bill would be \$50.00 ($10 \times \$5.00/\text{HCF}$).

In this case the Dover user is paying **2.7 times** as much as a Natick user. (\$50.00 vs. \$18.80).

These numbers are in line with what Mr. Zockoff presented. They do not reflect the additional charges borne by out-of-town users which include taxes, insurance and maintenance of our own infrastructure.

In a recent comparison of water rates for selected towns in the area Natick's charges for the average 26 HCF user were the lowest. This is in part due to the high rates paid by apartments and out-of-town users which are effectively subsidizing the rest of the town.

Sincerely,



Robert E. Coates, Trustee
Meadowbrook Water Trust
Dover, MA 02030

cc: Natick Board of Selectmen
Michael Walters Young
MWT Trustees
R. Zockoff

Water and Sewer Enterprise Analysis and Comments for the Town of Natick, MA

Prepared by John Magee
May 15, 2009

Dear Natick Board of Selectmen and Town Administration:

The Town of Natick faces many challenges regarding the Water and Sewer enterprise fund. There are many differences of opinions in the direction of budgeting and rate setting. As part of the rate setting public hearings, a large amount of information has been made available to the board and the public. However, there is still more information that could be useful in making your decisions.

I offer this document containing analysis and comments with the hope that it will aid you in rate setting and future budgeting for the Water and Sewer enterprise fund. The purpose of this document is threefold: first, to provide you with a comparative analysis of rate structures with several neighboring communities; second, to inform you of information that has otherwise not been made previous available; and third, to provide analysis and opinions on the direction of rates and budgets.

Sincerely,

John Magee
Town Meeting Member, Precinct 1

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- Forward
- Rate Comparison
- Averaging for All Master Meters
- Budgeting and Long-Term Planning
- \$5 per Meter Fee Issues
- Attachments

Forward

In the Spring of 2008, the Water and Sewer Enterprise fund was faced with the need to raise revenue by approximately 23%. At the same time, Condominium owners asked for relief of high rates charged due to "master meters". The Town Administration provided a great deal of information to the public and to the board as part of the rate setting process. The administration prepared three rate proposals and also included a proposal for "modified averaging" of condominium properties to address the rate inequity. A \$5 per bill administrative service fee replaced previous practice of a minimum bill.

This information is available in the memo: "Final FY 2009 Rate Recommendations for Water/Sewer" dated June 2, 2008.

The three options proposed were:

Option 1: Shift to Higher Tiers

Option 2: Leveling of Tiers

Option 3: Increase on All Tiers

Option 1 essentially held harmless low and average residential water users while substantially increasing high water users. Option 2 raised rates mostly at the low and high end, and left average users with a modest increase. Option 3 attempted to hold most users to the average rate of increase.

The administration recommended option 3. The board eventually selected option 1. The board also implemented the averaging calculation for condominiums in Natick. The rate option selected shielded most residential users from rate increases, but saddled large water users with increases approaching 50%.

One of the reasons stated for choosing option 1 was that residents may blame the condo averaging for their rate increases if option 3 was chosen. However, as noted in the June 2, 2008 memo, the re-allocation of revenue required was approximately \$850,000 for option 1, but only \$450,000 for option 3.

The goal of protecting homeowners is good, but the resulting option decision had unintended negative consequences. The remaining large water users were faced with huge increases in their bills. This included apartments, Laundromats, and out-of-town customers on master meters.

These customers are now asking for relief from the current situation. One question that should be answered is:

Question: Who are the large water users in town?

The situation with large water users being charged higher rates is due to greatly inclining rate tiers. If the rates were flat or nearly flat, there would be no need to average master-meter customers as everybody would be paying the same rate. A comparative analysis of rates in neighboring towns can give some insights on Natick's current situation.

Rate Comparison

One quick way to compare rates is to calculate a "steepness factor". This is the multiplier between the lowest rate and the highest rate in an inclining rate structure. For example, if the highest rate was three times the lowest rate, the steepness factor would be 3. A flat rate would be 1. Natick's combined W&S costs \$5.23/hcf at the lowest tier and \$16.40/hcf at the highest tier. The calculation is then $16.40/5.23 = 3.14$ meaning the highest tier pays approximately three times the lowest tier.

Table 1: Steepness Factor

	Natick	Arlington	Brookline	Concord #	Dedham Westwood	Framing-ham	Needham	Newton	Worcester	Wellesley #
W	3.62	1.47	1	2.39 s 1 w	2.14	1.80	1.76	1.44	1	3.09 s 1 w
S	2.96	1.99	1	1		2.81	1.26	1.44	1	1
W&S	3.14	1.74	1	1.45 s 1 w		2.29	1.38	1.44	1	1.65 s 1 w

Summer (s) rates for Concord and Wellesley. Winter rates are flat at the lowest tier (w).

In Table 1, Natick has the highest multiplier between the lowest and highest tiers. Most of the towns in the comparison are chosen because they were also used to compare other fees in the Fee Revenue Study by Donald I Jacobs Consulting received October 6, 2008.

The following table compares the same towns for some example quarterly usage. Data from rates is attached at the end.

Quarterly Usage Cost Comparison

		Natick *	Arlington *	Brookline	Concord #	Dedham Westwood +	Framing- ham	Needham *	Newton	Worcester	Wellesley #
5	W	11.90	20.27	22.75	17.20	29.61	19.05	27.50	20.75	14.20	14.50
	S	19.25	16.95	29.75	36.05		17.50	38.50	29.05	21.35	32.5
	W&S	31.15	37.21	52.50	53.25		36.55	66.00	49.80	35.55	47.00
12	W	23.20	42.74	54.60	41.28	58.24	45.72	52.5	49.80	34.08	34.80
	S	52.30	40.68	71.40	86.52		42.00	96.60	69.72	51.24	78.00
	W&S	75.50	83.42	126.00	127.8		87.72	149.09	119.52	85.32	112.80
18	W	36.40	63.80	81.90	66.19	82.78	70.92	75.00	74.70	51.12	52.20
	S	93.70	61.02	107.10	129.78		63.36	147.00	104.58	76.85	117.00
	W&S	130.10	124.82	189.00	195.97		134.28	222.00	179.28	127.98	169.20
26	W	60.30	87.68	118.30	116.52	115.5	112.92	105.00	112.88	73.84	75.40
	S	175.90	88.14	154.70	187.46		98.96	214.20	158.02	111.02	169.00
	W&S	236.20	175.82	273.00	303.98		211.88	319.20	270.90	184.86	244.40
40	W	105.80	128.40	182.00	220.18	172.76	171.77	160.75	182.40	113.60	126.04
	S	335.50	135.60	238.00	288.40		156.89	338.95	255.60	170.80	260.00
	W&S	441.30	264.00	420.00	508.58		328.66	499.70	438.00	284.40	386.04
100	W	405.80	397.00	455.00	714.58 s 344.00 w	599.48	506.87	423.95	511.20	284.00	664.24 s 290.00 w
	S	1019.50	339.00	595.00	721.00		542.12	919.90	715.50	427.00	650.00
	W&S	1425.30	736.00	1050.00	1435.58 s 1065.00 w		1048.99	1343.85	1226.70	711.00	1314.24 s 940.00 w
1000	W	4905.80	4658.22	4550.00	8130.58 s 3440.00 w	8492.48	5959.37	4383.95	5893.20	2840.00	8737.24 s 2900.00 w
	S	11279.50	3390.00	5950.00	7210.00		7802.40	9649.89	8239.50	4270.00	6500.00
	W&S	16185.30	8048.22	10500.00	15340.58 s 10650.00 w		13761.77	14033.85	14132.70	7110.00	15237.24 s 9400.00 w

*Admin fee added to water portion. Natick \$5/quarter bill. Arlington \$16.90/bill assuming yearly billing divides to \$4.22/quarter . Needham \$15/quarter.

+ Dedham-Westwood has a minimum bill based on connection size. Assuming residential connection.

Summer (s) rates for Concord and Wellesley. Winter rates are flat at the lowest tier (w).

Observations:

- Wellesley and Concord use flat rates in the winter but have tiers for the summer to deal with lawn watering.
- Most other communities either do not tier sewer rates or they are not very steep.
- Framingham's highest tier is reached at 750hcf/quarter vs. Natick's 40.
- Natick's Elderly rate is essentially a free water and sewer rate
- Fire connection charges usually increase at a greater than linear rate.

Conclusions:

Natick's inclining rate tiers are extremely steep. This causes the low water usage to be inexpensive relative to other communities, and high water usage to be more expensive.

Recommendations:

- 1) **Revisit last year's rate selection. Consider Option 3 from the memo as a starting point for this year's rates.**
- 2) **Natick should consider further flattening of rates, nearly flat rates, or flat rates.**
- 3) **Natick should consider splitting residential and commercial rates if it intends to charge certain customers more, rather than relying on a single tiered rate structure.**

Averaging for All Master Meters

Inclining rate tiers are intended to promote water conservation. The board is already familiar with the issue and has addressed the inequity for condominium properties in Natick. If the inclined rate tiers remain, averaging of master meter customers should be extended to include all multi-family houses, apartments and out-of-town customers.

By grouping usage of master-metered customers together, the intent of inclining rate tiers is lost. Those customers are charged the higher rates for "not conserving" when it is just multiple families using the water.

Apartments may be businesses but it is still residential families using the water. Natick does not charge higher rates to single-family houses that are rented out to tenants. Affordable housing and elderly residents also fall into this category.

Also, due to a recent change in Massachusetts laws, **some landlords can charge tenants for water usage**. An attached memo from the Natick Board of Health indicates that there are currently 27 units that have filed the appropriate certification to do so. It's interesting to note that landlords who choose to do this must calculate an effective flat rate to charge their tenants based on a total cost divided by usage formula.

Recommendation: Implement averaging for all master-meter customers.

Budgeting and Long-Term Planning

Last year's situation of needing a large revenue increase did not have to happen. The need to increase revenue by 23% in on year was due to a funding cliff caused by spending accumulated retained earnings too quickly while keeping rates steady for several years. In reviewing past minutes, administration warned of this situation ahead of time. Additionally, the desire to shield residential users from such a large increase also has unintended consequences.

Safe and reliable drinking water and sanitary sewer service is one of the most important things for a town. Upkeep of the system costs money, and the needed amount of money is likely to increase each year due to COLAs, MWRA assessments, pension and healthcare costs, and compliance with health and safety regulations.

The board should look for efficiencies wherever possible, but not at the detriment of safe water and sewer operations. Some suggestions floating around are to look at the size of work crews, and for the W&S enterprise to be reimbursed for wages during plowing operations.

According to the Abraham's report, average residential usage is around 18HCF and median usage is around 16HCF. This means that half of the water ratepayers pay very low rates relative to other communities.

It's extremely important to have a long term plan for the budget and rates. It does no good to hold rates to a 0% increase for several years only to be faced with a huge increase at the end of a funding cliff.

A long term budget and rate plan should be developed. The budget information already exists, but it should be matched to a rate plan. How much will the enterprise fund need over the next 5 years? What will the rates have to be to cover those costs?

The need to borrow for some capital costs should be carefully weighed. The administration has proposed guidelines for which things should be bonded and which should not. Due to the long term capital needs of the Water and Sewer enterprise, a plan like this should be followed.

Recommendations:

- 1) Develop a long term rate strategy to match a long term budget.**
- 2) Follow administration recommended guidelines for capital borrowing.**

\$5 per Meter Fee Issues

Attached is an e-mail to the deputy town administrator regarding the \$5 per meter fee. The water billing department is currently charging \$5 per dwelling unit to averaged condominium customers. This is not what was told to the board when it voted to implement averaging.

A comment was made that the vote was to "treat them the same way as a single family home". A single family home has its own meter which needs to be maintained, read, billed, and have a payment processed. This is precisely what the fee is intended to cover. If there are 24 units sharing a single meter, the above situation does not multiply out 24 times, it only exists a single time.

The fee is intended to cover the actual expenses of billing per meter. If the fee is charged per dwelling unit then it is an arbitrary charge only intended to receive general revenue.

Recommendation: The water billing department should follow the original implementation of one \$5 fee per meter.

Attachment A

Date: Wed, 18 Mar 2009 15:46:36 -0400 (EDT)
From: John Magee <mageejo@cs.bu.edu>
To: "Walters Young, Michael" <myoung@natickma.org>
Subject: RE: Water and Sewer Administrative Fee

Michael,

Thank you for writing back. I researched this a bit further by obtaining a DVD of the 6/16/08 meeting from Pegasus. Here is a transcript of the question that reflects the actual statement as accurately as possible:

Time on DVD: Title 1 - 02:26:30

Mr. Ciccariello: In the case of the condominiums, there was a discussion, there's approximately 4000 condominium units? That number came out.

Mr. Walters Young: I don't remember the exact amount.

Mr. Ciccariello: I'm sorry, no, it was 1000, I apologize. I think it was between 1000 and 1200. And if we bill the condominium association, four bills, at \$5, that's \$20. If we bill the 1000 or 1200 units (unclear - per bill), it's \$5 times 12 times 4, that's \$20 versus over \$20,000. What is the administration proposing to do?

Mr. Walters Young: The administration's initial proposal, was to do individual bills for every unit. Administration's current proposal is to maintain the current system, but average that mass bill, so not capture the potential revenue, if you will, of sending out individual bills to every Natick taxpayer, because the revenue generated from administrative service fees on every bill to every condominium is likely immediately going to be offset by the amount of staff time which is lost in producing individual bills for every condominium unit.

So, what we would propose doing currently, is to, or for the future starting July 1st, will be to do the averaging: take the read off the master meter, take a look at the property, divide by the number of units, average that one bill, multiply it back by that number of units, so you get the average read, and then send out one bill back to the condominium associations, thus the legwork and paperwork of splitting those bills remains as currently is done in the realm of the associations.

This is not ambiguous at all. It clearly states that the intention is to charge the service fee on a per bill basis and not on a per dwelling unit basis. Two main points that highlight this:

“so not capture the potential revenue” - The original question was if the town was going to capture this revenue by including the charge on a per dwelling unit basis. The answer is no.

“would likely going to be immediately offset by the amount of staff time which is lost in producing individual bills” - This statement, along with other comments in the meeting, directly affiliate the Administrative Service Fee with the creation of bills. This goes to my argument below **that the fee is intended to cover meter reading, billing, and collection, and that averaging of condominium units will still involve one meter - A single meter needs to be maintained and read - A single bill is generated for that meter. - A single payment is collected and processed.** I understand that considerable staff time has gone into manually calculating these bills so far, but once the system is automated it should not take (no. of units) times (time and effort to create a bill), and thus there is no justification for multiplying this fee times the number of dwelling units.

In all honesty, I'm more bothered by the process of what has happened than the actual fee itself. I think the should expect a level of transparency in that what is stated to happen is what actually happens. When the Selectmen voted to implement this system, they were told the above and so in my opinion their vote included the directions that was included in clarification questions. I'm not accusing anybody of maliciously doing anything in an attempt to capture this revenue, as you said, the minutes themselves were ambiguous. But ambiguous minutes really can't be an excuse for changing course on something behind the scenes. This probably really a symptom of unintentional miscommunication of policy, and partly the length of time it takes to prepare meeting minutes - since the billing department had to begin implementing the policy before minutes were available.

I hope that this can clarify the policy as stated in the 6/16/08 meeting and as voted by the Board of Selectmen. I believe the current policy is “one fee per bill” and I hope the appropriate fixes can be made to be in line with the policy.

Attachment B

MEMO

DATE: March 23, 2009

TO: John Magee mageejo@bu.edu

FROM: Jean M. Cotter, Department Assistant, Natick Board
of Health

RE: Water Submetering

On Friday, March 20, 2009 you came to the Board of Health and requested how many individual units in Natick have been submetered. According to our records the answer is 27 total, with a breakdown by year as follows:

2005 – 6

2006 – 2

2007 – 16

2008 – 3

As you requested this information is also being emailed to the Town Administrator Martha White and to the Board of Selectmen.

Attachment C - Submetering Law

MGL Ch 168 Sec 22:

<http://www.mass.gov/legis/laws/mgl/186-22.htm>

From Masslegalhelp.com:

<http://www.masslegalhelp.org/housing/booklets/water-law>

When Can a Tenant Be Billed Directly for Water under the Water Law?

On March 16, 2005, a water submeter law went into effect in Massachusetts. This law allows landlords to bill tenants for water if the tenant moved into an apartment on or after March 16, 2005 and the property meets the law's requirements.

Under the water law, landlords may bill tenants separately for water if **all of the following requirements are met**

- Landlord has installed submeters that measure actual water used in your apartment;
- Landlord has installed low-flow fixtures;
- Your tenancy started on or after March 16, 2005
- Previous tenant was not forced out;
- There is a written rental agreement that spells out water bill arrangements; and
- Landlord has filed proper certification.

Attachment D - Tiered Rate Discussion

American Water Works Association

Obtained from

<http://www.awwa.org/Resources/topicspecific.cfm?ItemNumber=3649&navItemNumber=3650>

A Discussion of Tiered Rate Structures

General thoughts and considerations related to the tiered block rate structures by the [Rates & Charges Committee](#). . .

Definition

The term "tiered" typically refers to a "block" type of rate structure where the unit price of water changes with each of several preset consumption blocks for each billing period.

For example, from 0 to 10 units [generally units are either stated in terms of thousands of gallons (Mg) or hundreds of cubic feet (Ccf)] is one unit price, from 11 to 100 units a different unit price, from 101 to 1,000 units a third unit price, etc.

Measure With an Aim Toward Conservation

Most commonly in such rate structures, there are typically three to five different tiers or rate blocks. Also, the term is most often used in reference to a rate structure where the unit price increases with each higher level, or tier, of consumption. This type of "increasing tier rate" is most often found where the utility desires to send a strong conservation message to its customer base. However, it should be noted that this type of rate structure itself, without a significant accompanying customer information program, will generally not produce the desired conservation, simply because the vast majority of customers do not understand rates and do not have any idea that the more they use, the higher the unit price becomes. Furthermore, the increasing block or tiered rate structure can potentially be "punitive" to large customers, charging them a higher unit rate simply because they are large water users. These customers may, in fact, be very efficient water users, and thus not "deserving" of a higher unit rate. In that regard, it is important to set the tier, or usage block ranges for customer classes, or possibly individual customers in the case of large non-residential customers, relative to their discretionary usage profile. The intent is to set the tiers so as to induce reduced water usage at usage levels where the customer has discretion over usage, not to punish water usage where there is no discretion in usage

Attachment D - Continued

On the other hand, a "tiered" or block rate can also be just the opposite -- that is, one in which the unit price *decreases* with increasing consumption, or with the larger use rate blocks. The decreasing block rates are not a particularly good rate structure to use if conservation is a primary objective of the utility. However, such a rate structure, if you have a single rate structure applicable to all customers within the utility, can approximate recovering the costs of service from each class of customers and is found frequently in those areas of the country with ample water supply and a diverse customer base.

It should also be noted that it is possible to have an increasing block structure that applies to one or more classes to encourage conservation (e.g. residential customers), with a different rate structure applied to other classes where opportunities for conservation are more limited or the increasing block structure is inconsistent with other objectives, including cost of service.

Survey Snapshot

A recent rate survey revealed that of the utilities surveyed for residential customers, 36 percent used declining block rates in 1996, while 30 percent of them used this type of rate structure in 2002. Increasing block rates were used for residential customers by 32 percent of the utilities surveyed in 1996, while 30 percent of them used this type of rate structure in 2002, a somewhat surprising finding considering the relative water scarcity many utilities have experienced in the last several years. The other rate form used, as opposed to increasing or decreasing block rates, was a uniform rate, either for all customers or by user class, which charges the same unit price for all water use, regardless of the amount of consumption.

Geographic Utilization

Inverted or increasing block rate structures are most commonly found in California and the Sun Belt states, where water supplies are generally more limited and conservation is a priority. The decreasing or declining block rate structures are most commonly found in the Midwest and North Central areas of the Country.

Attachment E: Rates of Nearby Communities

Arlington:

Obtained From:

http://www.town.arlington.ma.us/Public_Documents/ArlingtonMA_DPW/Water/WaterInfo

* Rates subsidized by property taxes.

Water/Sewer Rate Schedule

Effective Dates	Water Under 200 ccf/yr	Water Over 200 ccf/yr	Sewer Under 1,000 ccf/bill	Sewer Over 1,000 ccf/bill	Adm Fee/bill
7/1/2008	3.21	4.73	3.39	6.75	16.90
7/1/2007	2.99	4.40	3.15	6.28	16.90
7/1/2006	2.63	3.86	2.76	5.51	16.90
7/1/2005	2.50	3.68	2.63	5.25	16.90

Brookline:

Source: Called Brookline Water and Sewer Division 5/13/09

Water: \$4.55/hcf

Sewer: \$5.95/hcf

Combined: \$10.50

Burlington:

Obtained From: http://www.burlington.org/dpw/water_sewer_rates.htm

* excluded from comparison because of billing on 1000 gallon increments.

Effective July 1, 2008 - New Water & Sewer Rates are as follows:

Residential

	<u>Water</u>	<u>Sewer</u>
0 to 20,000 Gallons	\$30.10	\$29.25
20,001 to 30,000 Gallons	\$ 1.45 per M	\$ 4.20per M
30,001 to 50,000 Gallons	\$ 1.70 per M	\$ 5.20 per M
50,001 to 70,000 Gallons	\$ 2.60 per M	\$ 5.90 per M
70,001 to 90,000 Gallons	\$ 3.60 per M	\$ 7.10 per M
90,001 to Infinity	\$ 4.15 per M	\$ 8.30 per M

M = 1,000 gallons

Commercial

	<u>Water</u>		<u>Sewer</u>
0 to 10,000 Gallons	\$15.05	\$14.65	
10,001 to 15,000 Gallons	\$ 1.85 per M		\$ 4.25 per M
15,001 to 35,000 Gallons	\$ 2.60 per M		\$ 4.70 per M
35,001 to Infinity	\$ 4.15 per M		\$ 7.70 per M

M = 1,000 gallons

IRRIGATION (Residential Only) - billed 1x a year in October

0 to 20,000 Gallons	\$82.40
20,001 to Infinity	\$ 4.15 per M

M = 1,000 gallons

Concord:

Obtained from: http://www.concordma.gov/pages/ConcordMA_Water/rates
Summary of Water Rates
effective June 1, 2006

[Printer-Friendly Version](#)

It Pays to Conserve!

Residential Service

Water charge per unit (1 unit = 748 gallons):

Step 1: (all year) \$ 3.44

Water Discount for Senior Customers: A discount of 30% for up to 24 units bimonthly available for certain eligible senior customers of record. [Click Here for Details](#)

May 1 through October 31 only:

Step 2: 25 to 48 units bimonthly \$ 6.29

Step 3: over 48 units bimonthly \$ 8.24

General Service

Water charge per unit (1 unit = 748 gallons):

Step 1: first 50 units bimonthly (all year) \$ 3.44

Step 2: over 50 units bimonthly (all year) \$ 4.22

Second Meter Service

Water charge per unit (all year)

Irrigation/Pool use \$ 6.29

Process use (non-sewered, non-irrigation) \$ 4.22

Summary of Sewer Rates

effective June 1, 2006

Residential Service

Sewer charge per unit (1 unit=748 gallons) \$ 7.21

During Summer/Fall months rate is applied to actual use or prior Winter/Spring average use, whichever is less. When Winter/Spring usage information is not available, Summer/Fall billings are based on 77% of actual use.

Non-Residential Service

Sewer charge per unit (1 unit=748 gallons) \$ 7.21

Dedham-Westwood Water District:

Obtained from: <http://www.dwwd.org/rates/>

WATER RATES AND FEES

SCHEDULE OF WATER RATES

Minimum Charges

Minimum charges with quantities of water allowed, without additional charge, will be made to each customer for each meter. Such charges and such allowances of water for each size meter are as follows:

		Monthly Billing		Quarterly Billing		
Meter Size		Allowance	Minimum	Allowance	Minimum	
Inches		Hundred Cubic Feet (ccf)	Charge	Hundred Cubic Feet (ccf)	Charge	
5/8" Residential				5	\$ 29.61	
5/8" All Other		3	\$ 17.23	9	\$ 51.69	
3/4"		5	\$ 27.88	15	\$ 83.64	
1"		8	\$ 45.10	24	\$ 135.30	
1 1/2"		16	\$ 90.20	48	\$ 270.60	
2"		25	\$ 141.86	75	\$ 425.58	
3"		50	\$ 278.79	150	\$ 836.37	
4"		80	\$ 450.84	240	\$ 1,352.52	
6"		160	\$ 902.05	480	\$ 2,706.15	
8"		320	\$ 1704.68	960	\$ 5,114.04	

Rates for Water Consumed: (one cubic foot equals 7.5 gallons, one hundred cubic feet equals 750 gallons)

For all consumption in excess of the minimum allowance per meter size up to 51 hundred cubic feet: \$4.09 per ccf

For all consumption in excess of 51 hundred cubic feet and up to 75 hundred cubic feet: \$6.77 per ccf

For all consumption in excess of 75 hundred cubic feet: \$8.77 per ccf

Schedule B

Private Fire Service (03/01/09)

For each 1" connection, per annum \$271.99

For each 1.5" connection, per annum \$279.51

For each 2" connection, per annum \$307.56

For each 4" connection, per annum \$599.52

For each 6" connection, per annum \$1,199.67

For each 8" connection, per annum \$2,380.10

For each 10" connection, per annum \$3,755.40

For each fire hydrant, per annum \$1,075.62

Framingham

Obtained from: <http://www.framinghamma.gov/index.aspx?NID=187>

Rate Table

Water and Sewer Rates

1 Unit = 748 gallons = 100 Cubic Feet

Tier	Water/Unit	Sewer/Unit	Water/Unit *Outside	Sewer/Unit *Outside
Tier 1 (1-12 units per qtr)	\$3.81	\$3.50	\$8.68	\$8.55
Tier 2 (13-27 units per qtr)	\$4.20	\$3.56	\$9.07	\$8.61
Tier 3 (28-51 units per qtr)	\$4.85	\$4.73	\$9.72	\$9.78
Tier 4 (52-750 units per qtr)	\$5.75	\$6.80	\$10.62	\$11.85
Tier 5 (over 750 units per qtr)	\$6.86	\$9.85	\$11.73	\$14.90
Irrigation (lawn) use	\$6.76	N/A	\$11.63	N/A
Elderly Rate	\$2.86	\$2.63	N/A	N/A

*Water and Sewer accounts that are located outside of the Town of Framingham boundaries.

Fire Pipe Service Fees

2008 Fees

Size (inches)	Current Rate
1.5" and less	\$22.66
2"	\$48.29
2.5"	\$86.84
3"	\$140.26
4"	\$298.91
6"	\$868.27
8"	\$1,850.31
10"	\$3,327.50
12"	\$5,374.83

Needham:

Obtained from: <http://www.needhamma.gov/index.aspx?NID=221>

The following water and sewer rate schedules were adopted effective July 1, 2008. There are no increases in any of the rates for FY 2009.

Water & Sewer Rates

Monthly		Water	Irrigation	Sewer
Step	Consumption Range	Rate per HCF	Rate per HCF	Rate per HCF
1	0 to 200 c.f.	\$2.50	\$4.85	\$7.70
2	200 to 900 c.f.	\$3.75	\$4.85	\$8.40
3	900 to 1,400 c.f.	\$4.00	\$4.85	\$8.95
4	more than 1,400 c.f.	\$4.40	\$5.34	\$9.70
Basic Service Fee		\$5.00		

Quarterly		Water	Irrigation	Sewer
Step	Consumption Range	Rate per HCF	Rate per HCF	Rate per HCF
1	0 to 600 c.f.	\$2.50	\$4.85	\$7.70
2	600 to 2,700 c.f.	\$3.75	\$4.85	\$8.40
3	2,700 to 4,200 c.f.	\$4.00	\$4.85	\$8.95
4	more than 4,400 c.f.	\$4.40	\$5.34	\$9.70
Basic Service Fee		\$15.00		

Newton:

Obtained from: http://www.ci.newton.ma.us/dpw/water_rates.htm

Water and Sewer Rates effective as of July 1, 2008

	Water	Sewer	Combined
1 to 20 hcf	\$4.15	\$5.81	\$9.96
21 to 70 hcf	\$4.98	\$6.97	\$ 11.95
> 70 hcf	\$5.98	\$8.36	\$14.34

Water and Sewer Rates effective as of July 10, 2007

	Water	Sewer	Combined
1 to 20 hcf	\$3.65	\$5.67	\$9.32
21 to 70 hcf	\$4.38	\$6.80	\$ 11.18
> 70 hcf	\$5.26	\$8.16	\$13.42

If you need assistance or would like to speak to someone in person, please call 617.796.1040.

Worcester:

Obtained from: http://www.ci.worcester.ma.us/aso_trs/faqs/water_sewer.htm

Not dated - Could be out of date?

What are the current water rates?

The current water rate is \$2.84 per hundred cubic feet of water usage. The current sewer rate is \$4.27 per hundred cubic feet of usage.

Wellesley:

Source: Called Wellesley DPW (781) 235-7600 x3355 5/13/09

Note summer tiers are per month.

Sewer: \$6.50/hcf

Water (Winter): flat \$2.90/hcf

Water (Summer):

0-12 hcf/month: \$2.90

12-24 hcf/month: \$5.41

24-36 hcf/month: \$7.00

37+ hcf/month: \$8.97