

Water & Sewer Rate Setting FY 2010

Natick Board of Selectmen

May 4, 2009



Town of Natick

Water/Sewer Rate Setting for FY 2010 – May 4, 2009

Overview

- Rate Setting Methodology
- Rate Proposal
- Alternatives



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Rate Setting Process

- Rates are set by the Board of Selectmen in their role as the Water & Sewer Commissioners for the Town of Natick.
- Mass. Department of Revenue requires that revenues must match appropriated expenses in order to approve tax recapitulation in December for all funds – including Enterprise.



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Rate Setting Model & Methodology

- FY 2010 Rates are based on a model which uses actual usage data from FY 2006, 2007 and 2008.
- Staff averaged the usage for the three years and then applied the rates as proposed in each option to every one of the 51,000+ reads to obtain a purely data-driven model for rate revenues.
- All rate options are shown at 93.2% of what is billed. This reduction factor is to account for the average amount that is not collected in the same Fiscal Year in which it is billed.



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Rate Setting Process

- Water & Sewer Enterprise Funds are driven by an expense-first model – that is operating & capital expenses are developed, discussed and voted upon, and revenues are raised to meet those expenses
- Began last winter with the development of the Water/Sewer Enterprise Budget
- Expenses discussed at length from January to their final approval at Town Meeting in late April 2009.



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Rate Setting Model & Methodology

- The FY 2010 expense budget (operations and capital) require 3.5% more than FY 2009.
- Alternative funding sources, including retained earnings and prior capital article closeouts, will pay for the FY 2010 costs of proposed capital projects



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Rate Setting Model & Methodology

- FY 2009's significant rate increase has achieved desired effects - a) funded operations and b) provided for a nominal amount of retained earnings.



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Rate Proposal

- Rates are increasing in FY 2010, but significantly less than in FY 2009.
- Usage has stabilized over the course of three years.
- Additional Enterprise Revenue, including Investment Income, Betterments, Liens, and new Growth (totaling over \$1,200,000) have been accounted for and added to the rate proposal.
- **Proposed Rate Increase: 1.15%**



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Rate Proposal:

Below is a sample effect of the rate increase on the normal single-family home.

2009	Tier	Combined Rate	Consumption	Qtr. Cost	Annual Cost	
Bills	0-10	\$ 5.23	10	\$ 52.30	\$ 209.20	1.15%
	011-20	\$ 9.10	10	\$ 91.00	\$ 364.00	
	021-40	\$ 14.65	6.57	\$ 96.25	\$ 385.00	
			26.57	\$ 239.55	\$ 958.20	
2010 ver. 1	Tier	Combined Rate	Consumption	Qtr. Cost	Annual Cost	
Bills	0-10	\$ 5.29	10	\$ 52.90	\$ 211.61	Annual \$ 11.02 Quarter \$ 2.75
	011-20	\$ 9.20	10	\$ 92.05	\$ 368.19	
	021-40	\$ 14.82	6.57	\$ 97.36	\$ 389.43	
			26.57	\$ 242.31	\$ 969.22	

- **Impact: \$2.75/quarter or \$11.02/year**



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Rate Proposal:

Goals:

- 1) Hold average Water/Sewer User to average rate of increase – 1.15%
- 2) Promote Water Conservation
- 3) Guarantee rates cover the costs of operations



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Alternatives:

1) Implementation of Fire Connection Fee:

Summary: Implement Fire Connection Fee to Natick businesses who have suppression systems at the rate of \$100/1 inch diameter of trunk line annually.

- Additional Revenue Generated / (Lost): \$75,000
- Impact on Rates: Decrease of 0.65%
- Resulting Rate Increase if Implemented: Increase of 0.5%
- **Recommendation: Implement the Fee**



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Alternatives:

2) Averaging of Apartments:

Summary: Average bills sent to apartment complexes similar to how condominium developments are currently averaged.

- Additional Revenue Generated / (Reduced): (\$422,000)
- Impact on Rates: Increase of 3.5%
- Resulting Rate Increase if Implemented: Increase of 4.65%
- **Recommendation: Do not average apartments**



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Alternatives:

3) Averaging to Out-of-Town customers:

Summary: Average bills sent to out-of-town customers currently using pit meters similar to how condominium developments are currently averaged.

- Additional Revenue Generated / (Reduced): (\$75,000)
- Impact on Rates: Increase of 0.65%
- Resulting Rate Increase if Implemented: Increase of 1.9%
- **Recommendation: Do not average Out-of-Town customers at this time, but continue to work towards formalization of agreements for FY 2011.**

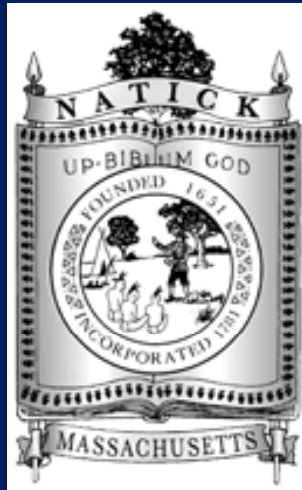


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Alternatives Not Considered:

- Expansion of Discounted Rate Programs
- Averaging of Irrigation Meters
- Averaging of Laundromats



Thank You

Town of Natick

Home of Champions