



## *Memorandum*

To: Board of Selectmen

From: Michael Young, Deputy Town Administrator  
Robert Palmer, Finance Director

Date: June 16, 2008

Re: Answers to Requested Information regarding Water/Sewer Rates

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As per your request, staff has gathered the following responses to requests for information to aide you in your decision making for the Water/Sewer Rate Setting. These are intended to answer questions which various Board members have raised over the last several meetings over a variety of topics. Each question is provided below and on succeeding pages along with staff's response.

### Questions

- 1) At the meeting of June 2, 2008, it looked as if the expenses on page 3 of 6 showed a salary increase of 7.55% in Utility Billing. Was this actually correct? Was there an error somewhere?
  - a. The information presented at the last meeting for Utility Billing was incorrect. Actual salary increases rose by 3.00%, with all utility billing related expenses declining by a slight .02%.

Expenditure Summary	FY08	FY09	FY08 - FY09 \$\$ Difference	FY08 - FY09 %% Change
<i>Total Utility Billing (Voted Motion H5 - Spring 2008 TM)</i>				
Salaries Operational Staff (2 staff members)	86,803	89,408	2,605	3.00%
Part-Time Operational Staff (.1 staff members)	4,808	4,808	0	0.01%
Operational Staff - Additional Comp	-	346	346	#DIV/0!
Operational Staff Overtime	1,500	2,000	500	33.33%
<i>sub-total Personal Services</i>	<i>93,110</i>	<i>96,562</i>	<i>3,452</i>	<i>3.71%</i>

(con't)

<b>Expenditure Summary</b>	<b>FY08</b>	<b>FY09</b>	<b>FY08 - FY09 \$\$ Difference</b>	<b>FY08 - FY09 %% Change</b>
Repair & Maint Equipment	4,000	4,000	-	0.00%
In State Travel/Meetings	500	500	-	0.00%
Training & Education	2,500	2,500	-	0.00%
Communication Telephone	1,500	1,500	-	0.00%
Communication Postage	20,000	20,000	-	0.00%
Collection Activities	10,000	10,000	-	0.00%
Copy/Mail Center Fees	33,000	33,000	-	0.00%
<i>sub-total Purchase of Services</i>	<i>71,500</i>	<i>71,500</i>	<i>-</i>	<i>0.00%</i>
Audit Water/Sewer	-	-	-	#DIV/0!
Water / Sewer Rate Study	14,000	-	(14,000)	-100.00%
Utility Billing Software	5,000	15,000	10,000	200.00%
Utility Billing Printing	30,200	30,200	-	0.00%
<i>sub-total Technical &amp; Professional Services</i>	<i>49,200</i>	<i>45,200</i>	<i>(4,000)</i>	<i>-8.13%</i>
Office Supplies	3,500	4,000	500	14.29%
<i>sub-total Supplies</i>	<i>3,500</i>	<i>4,000</i>	<i>500</i>	<i>14.29%</i>
<b>Total Utility Billing Expenditures</b>	<b>217,310</b>	<b>217,262</b>	<b>(48)</b>	<b>-0.02%</b>

The increases in Water & Sewer salaries were correct as listed on pages 1 of 6 and 2 of 6.

2) What would be the impact of delaying the decision to set rates for 3 months?

- a. Please see the attached memorandum from Bob Palmer, Finance Director in regards to the impacts of delaying rate setting for 3 months.

3) Why did staff change its recommendations on master meters from previous meetings?

- a. Staff's initial position on master meters – that any master meters installed in residential complexes should be replaced with individual meters – remains unchanged. That is the only way to ensure the highest degree of accuracy both in the usage of water & sewer services by customer and the most correct rate billed. The dilemma faced by private citizens, property owners and ultimately the Town itself is that this conversion is an expensive proposition which cannot be reasonably achieved quickly.

Further, staff was repeatedly challenged to evaluate the current system and respond to the needs of ratepayers to create a fairer billing system. Staff's proposal of June 2<sup>nd</sup>, 2008 is not intended to prohibit or discourage the installation of individual meters – rather to respond in a reasonable way to Natick ratepayers.

This proposal only extends to Natick condominiums at this time because staff does not have the capacity to average all master meters. Averaging condominium units represents a reasonable burden upon staff that administration believes the Town can develop and implement a reliable method of averaging throughout the upcoming fiscal year. Staff does not have sufficient capacity (both in peoplepower and time) to average all master meters at this time. We are committed to a careful evaluation of this process in FY 2009 and will advise the Board of Selectmen for the rate setting process in FY 2010 if averaging can be

extended to other master meter users, and if so, what additional staff resources may be needed to accomplish this task.

- 4) How did the Water/Sewer Enterprise Fund perform over the last 5 years in terms of operations?  
How was Retained Earnings used to affect/supplant revenues?

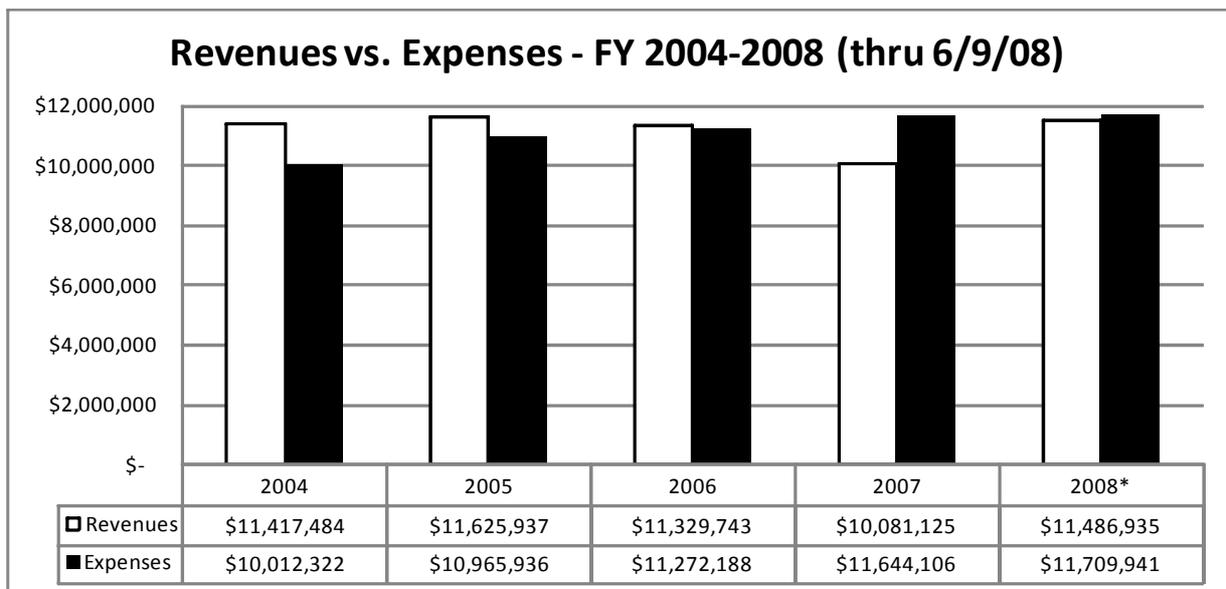
- a. The tables below show the revenues and expenses (to date) for the Water/Sewer Enterprise fund for FY 2004-2008.

**Water and Sewer Revenue & Expenses  
FY2003-2008**

FY	Sewer	Water	Retain. Earn.	Total
2004	\$ 6,985,400	\$ 3,774,080	\$ 658,004	\$ 11,417,484
2005	\$ 7,140,099	\$ 3,877,837	\$ 608,000	\$ 11,625,937
2006	\$ 6,794,079	\$ 3,927,664	\$ 608,000	\$ 11,329,743
2007	\$ 5,917,225	\$ 3,263,899	\$ 900,000	\$ 10,081,125
2008*	\$ 6,091,548	\$ 3,720,387	\$ 1,675,000	\$ 11,486,935

FY	Sewer	Water	Benefits	Indirect	Total
2004	\$ 4,875,686	\$ 2,318,497	\$ 812,457	\$ 2,005,683	\$ 10,012,322
2005	\$ 5,246,174	\$ 2,665,705	\$ 844,562	\$ 2,209,496	\$ 10,965,936
2006	\$ 5,286,515	\$ 3,141,930	\$ 493,109	\$ 2,350,634	\$ 11,272,188
2007	\$ 5,467,313	\$ 3,203,857	\$ 593,344	\$ 2,379,592	\$ 11,644,106
2008*	\$ 5,402,018	\$ 2,826,876	\$ 934,703	\$ 2,546,344	\$ 11,709,941

Notes: The source for revenue data is MUNIS Fund 65, Object 4004.  
The source for expense Data is MUNIS Fund 65, Dept 65 & 66  
\*FY2008 figures are thru 6/9/08.



**TOWN OF NATICK, MASSACHUSETTS**

**FINANCE DIRECTOR**

**(508) 647-6420**

**To:** Michael Young, Deputy Town Administrator  
**From:** Bob Palmer, Finance Director  
**Subject:** Impact of Three (3) Month Delay – FY2009 Water & Sewer Rates  
**Date:** June 12, 2008

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Please accept this memorandum briefly describing the impact on rates if a three month delay in rate implementation is adopted.

The projected increase in rates on an annual basis is approximately twenty-one percent (21%). If this increase is delayed and implemented over the remaining nine (9) months in FY2009 the impact would be a twenty-eight percent (28%) increase over that period.

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Annual (12 Month) Increase	21%
Annual Increase over 9 Months	$9 / 12 = .75$ (Effective Year Balance)
Required Increase over 9 Months To Achieve 21%	$28\% * .75 = 21\%$

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Other impacts of delayed rate implementation are reduced / hampered cash flow, reduction in investment income, etc.