



## *Memorandum*

To: Board of Selectmen

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

Date: May 5, 2008

Re: Water/Sewer Rate Setting Part #2

---

The following memo is the second installment of information to be used by the Board in the FY 2009 Rate Setting process. On April 22, the Board received information summarizing major issues surrounding rate setting. This memo attempts to describe the expenses of the fund necessary to maintain operations for the next fiscal year and introduce a series of policies for the Board's future consideration. We recommend that the Board open the rate setting hearing at your May 19<sup>th</sup> meeting at which time the administration will present proposed rates for FY 2009.

### **Expenses**

Detailed expenses are attached to this memo and shown as Attachments A thru H. As approved by Town Meeting on April 10 and 15<sup>th</sup>, 2008 and anticipated at Fall Town Meeting, FY 2009 expenses for the Water/Sewer Enterprise fund total \$14,153,350 or an increase of 3.96% over FY 2008. This is detailed on Attachment A.

Expenses are being driven by sizeable increases in indirect costs (See Attachment E), debt service (See Attachment F), and Capital Expenses (See Attachment G). Costs for operations (See Attachment A) are less than FY 2008 in large part due to a lower MWRA Assessment.

As shown in Attachment A, additional revenues will need to be raised from user fees to fund FY 2009 operations. Exact proposals will be available on May 19<sup>th</sup>. The anticipated increase in user fees is a direct result of having no available Retained Earnings in FY 2009; prior years' operating budgets have been funded by user fees combined with retained earnings. Effective July 1, 2007, Water/Sewer Enterprise Fund Retained Earnings were certified at \$682,304. To date, Town Meeting has approved the use of \$675,000 from those certified retained earnings, leaving effectively no retained earnings as of year end. Although some amount of new retained earnings is likely to be generated effective July 1, 2008 based upon the results of the current fiscal year's operations, staff does not recommend using any to reduce rates.

## **Policies**

In the memo of April 22, 2008, staff stated that there would be a draft of recommended policies for the Water /Sewer Enterprise Fund. They are attached as attachment H.

Although these are a draft, the Board of Selectmen is in the difficult situation of having to increase rates simultaneously to a tax increase. This is not a desired situation, though the Board does have a degree of control as to the size of increase facing the community. Currently, the budget does not include monies for building retained earnings or dedicated reserves for capital or operating. Though fiscal prudence would dictate that rates should be set at a level which will grow retained earnings to allow for contingencies, the Board can choose to not do that and keep rates lower for FY 2009.

Please let us know if you have any questions.

### **Attachments:**

- A- Summary of Expenses & Revenues
- B- Operating Costs
- C- Debt Service
- D- Indirect Costs
- E- Pensions
- F- Reserves
- G- Capital Expenses
- H- Draft Recommended Policies

## Appendix A - Water and Sewer Enterprise Fund Summary of Expenditures & Revenues

<b>Expenditure Summary</b>	<b>FY08</b>	<b>FY09</b>	<b>FY08 - FY09 \$\$ Difference</b>	<b>FY08 - FY09 %% Change</b>
Operational Budget (B)	7,394,135	7,081,507	(312,628)	-4.23%
Insurance (C)	440,220	458,300	18,080	4.11%
Pension (C)	194,483	203,235	8,752	4.50%
Debt & Interest (D)	1,906,070	2,264,563	358,493	18.81%
In-Kind Services (Indirects) (E)	2,379,592	2,546,345	166,753	7.01%
Reserve (F)	200,000	200,000	-	0.00%
Capital Improvements (G)	1,100,000	1,400,000	300,000	27.27%
<b>TOTAL WATER &amp; SEWER EXPENDITURES</b>	<b>\$ 13,614,500</b>	<b>\$ 14,153,950</b>	<b>539,450</b>	<b>3.96%</b>

  

<b>Revenue Summary</b>	<b>FY08</b>	<b>FY09</b>	<b>FY08 - FY09 \$\$ Difference</b>	<b>FY08 - FY09 %% Change</b>
Water & Sewer Fees	10,939,500	13,218,950	2,279,450	20.84%
MWRA Capital Grant	-	420,750	420,750	100.00%
Bond Proceeds	-	514,250	514,250	100.00%
Water & Sewer Retained Earnings	2,675,000	-	(2,675,000)	-100.00%
<b>TOTAL WATER &amp; SEWER RECEIPTS</b>	<b>\$ 13,614,500</b>	<b>\$ 14,153,950</b>	<b>539,450</b>	<b>3.96%</b>
<b>NET EXCESS / (DEFICIT)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

## Appendix B - Water and Sewer - Operations

Sewer	No. of Staff	2009 Appr.	% (+/-) 08 vs. 09	Expended thru Dec. 31, 2007	2008 Appr.	2007 Actual	2006 Actual	2005 Actual
	PERSONAL SERVICES	11.5	665,835	0.08%	282,197	665,333	589,954	556,152
PURCHASE OF SERVICES		142,000	0.00%	30,385	142,000	87,811	90,677	88,111
OTHER SERVICES MISC.		4,500	0.00%	3,535	4,500	3,600	3,740	3,445
TECHNICAL/PROFESSIONAL SVS.		10,000	0.00%	10,217	10,000	7,021	8,758	12,843
SUPPLIES		4,000	0.00%	942	4,000	3,954	3,995	3,794
Sewer Pump Station/Line Maint.		50,000	42.86%	8,789	35,000	118,022	181,541	242,857
MWRA Sewer Assessment		4,052,855	-10.94%	1,996,821	4,550,782	4,065,734	3,895,604	3,777,540
Water/Sewer Damage Claims		5,000	0.00%	0	5,000	0	0	0
<b>SEWER OPERATIONS TOTAL</b>		<b>4,934,190</b>	<b>-8.91%</b>	<b>2,332,885</b>	<b>5,416,615</b>	<b>4,876,097</b>	<b>4,740,467</b>	<b>4,658,033</b>

Water	No. of Staff	2009 Appr.	% (+/-) 08 vs. 09	Expended thru Dec. 31, 2007	2008 Appr.	2007 Actual	2006 Actual	2005 Actual
	PERSONAL SERVICES	15.5	902,255	2.95%	399,232	876,409	844,798	748,754
PURCHASE OF SERVICES		608,500	2.53%	187,705	593,500	437,009	428,707	357,673
OTHER SERVICES MISC.		9,800	0.00%	7,040	9,800	7,499	5,270	8,053
TECHNICAL/PROFESSIONAL SVS.		40,000	0.00%	14,009	40,000	41,056	36,430	56,061
SUPPLIES		51,000	0.00%	17,155	51,000	51,988	50,776	46,401
OTHER SUPPLIES		133,000	0.00%	59,510	133,000	118,115	152,396	126,050
OTHER CHARGES/EXPENDITURES		185,500	163.12%	34,427	70,500	231,567	265,186	264,519
<b>WATER OPERATIONS TOTAL</b>		<b>1,930,055</b>	<b>8.78%</b>	<b>719,079</b>	<b>1,774,209</b>	<b>1,732,031</b>	<b>1,687,520</b>	<b>1,532,392</b>

Utility Billing	No. of Staff	2009 Appr.	% (+/-) 08 vs. 09	Expended thru Dec. 31, 2007	2008 Appr.	2007 Actual	2006 Actual	2005 Actual
	PERSONAL SERVICES	2.1	96,562	15.93%	93,110	83,294	82,329	78,893
PURCHASE OF SERVICES		71,500	26.76%	71,500	56,406	65,890	31,969	45,036
TECHNICAL & PROF. SVS		45,200	-30.98%	49,200	65,492	45,943	24,687	9,219
SUPPLIES		4,000	10.14%	3,500	3,632	2,588	2,919	1,781
<b>UTILITY BILLING TOTAL</b>		<b>217,262</b>	<b>4.04%</b>	<b>217,310</b>	<b>208,824</b>	<b>196,748</b>	<b>138,468</b>	<b>134,735</b>

Summary of Operations	No. of Staff	2009 Appr.	% (+/-) 08 vs. 09	Expended thru Dec. 31, 2007	2008 Appr.	2007 Actual	2006 Actual	2005 Actual
	<b>SEWER OPERATIONS TOTAL</b>	11.5	<b>4,934,190</b>	<b>-8.91%</b>	<b>2,332,885</b>	<b>5,416,615</b>	<b>4,876,097</b>	<b>4,740,467</b>
<b>WATER OPERATIONS TOTAL</b>	15.5	<b>1,930,055</b>	<b>8.78%</b>	<b>719,079</b>	<b>1,774,209</b>	<b>1,732,031</b>	<b>1,687,520</b>	<b>1,532,392</b>
<b>UTILITY BILLING TOTAL</b>	2.1	<b>217,262</b>	<b>4.04%</b>	<b>217,310</b>	<b>208,824</b>	<b>196,748</b>	<b>138,468</b>	<b>134,735</b>
<b>Operations Total</b>	29.1	<b>\$ 7,081,507</b>	<b>-4.30%</b>	<b>\$ 3,269,275</b>	<b>\$ 7,399,647</b>	<b>\$ 6,804,877</b>	<b>\$ 6,566,455</b>	<b>\$ 6,325,160</b>

Approved by Town Meeting on April 10, 2008

## Appendix C - Water and Sewer - Employee Insurance and Pension

	<i>No. of Staff</i>	<b>2009 Appr</b>	<b>% (+/-) 08 vs. 09</b>	<b>Expended 12/31/2007</b>	<b>2008 Appr.</b>	<b>2007 Actual</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
FICA {Medicare}		13,750	-23.61%	3,150	18,000	14,123	13,255	11,929
Insurance Group Health & Life		407,532	4.23%	179,602	390,987	362,932	292,090	255,567
LIUNA Pension		37,018	18.52%	15,576	31,233	31,343	24,803	23,822
<b>Insurance</b>		<b>458,300</b>	<b>4.11%</b>	<b>198,328</b>	<b>440,220</b>	<b>408,398</b>	<b>330,148</b>	<b>291,317</b>
Funding Schedule (22 Year)		203,235	4.50%	97,241	194,483	184,946	162,961	553,245
Both Water & Sewer		-	#DIV/0!	-	-	-	-	-
<b>Pension</b>		<b>203,235</b>	<b>4.50%</b>	<b>97,241</b>	<b>194,483</b>	<b>184,946</b>	<b>162,961</b>	<b>553,245</b>
<b>BUDGET TOTAL</b>		<b>661,535</b>	<b>4.23%</b>	<b>295,569</b>	<b>634,703</b>	<b>593,344</b>	<b>493,109</b>	<b>844,562</b>

Approved by Town Meeting on April 10, 2008

## Appendix D - Water and Sewer - Debt Service Schedule

The debt service schedule below details the projects and amounts requiring payment in FY 2009.

Project	Issuance Date	PRINCIPAL	INTEREST	TOTAL
ELM BANK	1992 (Refunded - 2003)	\$ 155,000	\$ 24,400	\$ 179,400
WATER TREATMENT	1997	25,000	12,232	37,232
SEWER - PLEASANT ST	1998	11,000	6,145	17,145
WATER TREATMENT	1998	63,000	30,905	93,905
SEWER - ELIOT ST	1999	40,000	20,598	60,598
SEWER - UNION ST	1999	30,000	16,053	46,053
WATER - LAKESHORE	1999	25,000	14,463	39,463
SEWER - BODEN LANE	2000	90,000	32,115	122,115
WATER - LAKESHORE	2000	30,000	16,307	46,307
SEWER - LAKESHORE	2002	20,000	13,410	33,410
SEWER - LEACH LANE	2002	10,000	6,705	16,705
WATER METERS	2002	180,000	31,410	211,410
RELINING - NORTH MAIN	2003	140,000	24,430	164,430
RELINING - BACON ST	2003	70,000	12,215	82,215
WATER METERS	2004	35,000	7,963	42,963
MWPAT	2004	210,015	124,072	334,087
MWRA I&I	2005	67,650		67,650
SEWER - SPEEN & PARK	2006	105,000	79,275	184,275
PHASE V RELINING	2008	300,000	135,000	435,000
Capital Equipment 2008	2008	23,000	7,200	30,200
Bond Issue Costs	2006		20,000	20,000
<b>TOTAL</b>		<b>\$ 1,629,665</b>	<b>\$ 634,898</b>	<b>\$ 2,264,563</b>

*Approved by Town Meeting on April 10, 2008*

## Appendix E - Water and Sewer - Indirect Costs

The following list details the indirect charges for the upcoming fiscal year. (FY 2009)

Department Charges	PERSONNEL	FRINGE	EXPENSES	TOTAL
DPW ADMINISTRATION	\$ 98,835	\$ 39,277	\$ 11,396	\$ 149,508
BUILDING MAINTENANCE	47,087	18,713	57,156	122,956
ENGINEERING SERVICES	235,041	93,406	33,268	361,715
GIS SERVICES	(40,295)	(16,013)	-	(56,308)
EQUIPMENT MAINTENANCE	202,438	80,449	106,184	389,071
HIGHWAY MAINTENANCE	50,981	20,260	70,336	141,577
PUBLIC SAFETY	235,528	93,600	13,497	342,625
FINANCIAL / ADMINISTRATIVE	313,448	124,565	158,199	596,212
DEBT SERVICE	-	-	82,811	82,811
PROPERTY INSURANCE	-	-	165,416	165,416
ENERGY	-	-	250,762	250,762
<b>GENERAL FUND INDIRECTS</b>	<b>1,143,063</b>	<b>454,257</b>	<b>949,025</b>	<b>2,546,345</b>

*Accepted by Town Meeting on April 10, 2008*

**Appendix F - Water and Sewer - Reserves**

	<i>No. of Staff</i>	<b>2009 Appr</b>	<b>% (+/-) 08 vs. 09</b>	<b>Expended thru Dec. 31, 2007</b>	<b>2008 Appr.</b>	<b>2007 Actual</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
Reserve Fund		200,000	0.00%	14,000	200,000	119,208	67,650	-
<b>BUDGET TOTAL</b>		<b>200,000</b>	<b>0.00%</b>	<b>14,000</b>	<b>200,000</b>	<b>119,208</b>	<b>67,650</b>	<b>-</b>

*Approved by Town Meeting on April 10, 2008*



## Appendix G - Water & Sewer Enterprise Capital

The Water/Sewer Enterprise Fund proposed 4 capital projects in FY 2009. To date three of those have been approved by Town Meeting.

<u>Project</u>	<u>Article</u>	<u>Amount</u>	<u>Source</u>
Air Stripper Maintenance	10	\$ 105,000	User Fees
Pressure Filter - Media Replacement	10	\$ 210,000	User Fees
Inflow & Infiltration Removal	14	\$ 935,000	MWRA Grant/Bonding
Total Projects Approved to date for FY 2009		\$ 1,250,000	

One project will be proposed for funding in Fall 2008:

<u>Project</u>	<u>Article</u>	<u>Amount</u>	<u>Source</u>
Sewer Main Relining	TBD	\$ 150,000	TBD
Total Projects Remaining to be approved		\$ 150,000	

The next page shows the proposed 5-year Water/Sewer Capital Plan.

# Appendix G - Water & Sewer Enterprise Capital

Date Submitted	Dept Head	Project Title	Division	FY 2009	FY2010	FY2011	FY2012	FY2013	Project Description
5/27/2005	JACK PERODEAU	REPLACE EVERGREEN #1 WELL	WATER	\$ -	\$ -	\$ -	\$ 250,000	\$ -	TO REPLACE AND INCREASE THE CAPACITY OF THE EVERGREEN #1 WELL WITHIN 50 FEET OF THE EXISTING WELL AS REQUIRED BY DEP.
5/27/2005	JACK PERODEAU	REPLACE SPRINGVALE #1 WELL	WATER	\$ -	\$ 200,000	\$ 200,000	\$ -	\$ -	REPLACE AND INCREASE THE CAPACITY OF THE SPRINGVALE #1 WELL WITHIN 250 FEET OF THE EXISTING WELL AS REQUIRED BY DEP.
5/27/2005	JACK PERODEAU	EXPAND 75 WEST STREET	WATER	\$ -	\$ -	\$ -	\$ 500,000	\$ -	TO EXPAND THE DPW FACILITIES IN ORDER TO PROVIDE ADEQUATE STORAGE AND OFFICE FOR THE WATER AND SEWER DIVISIONS AND THE GIS DIVISION.
5/27/2005	TOM COLLINS	REPLACE W-13		\$ -	\$ -	\$ -	\$ 30,000	\$ -	TO REPLACE A 1986 SKID STEER LOADER BACKHOE.
5/27/2005	TOM COLLINS	REPLACE W-2		\$ -	\$ -	\$ 28,000	\$ -	\$ -	TO REPLACE A 1999 FORD EXPLORER
5/27/2005	TOM COLLINS	REPLACE W-3		\$ -	\$ -	\$ 25,000	\$ -	\$ -	TO REPLACE A 2001 FORD WINDSTAR
5/27/2005	TOM COLLINS	REPLACE W-30		\$ -	\$ 250,000	\$ -	\$ -	\$ -	TO REPLACE A 1998 SEWER JET/VAC TRUCK
5/27/2005	TOM COLLINS	REPLACE W-1		\$ -	\$ -	\$ -	\$ 28,000	\$ -	TO REPLACE A 2004 FORD EXPLORER
5/27/2005	TOM COLLINS	REPLACE W-28		\$ -	\$ 45,000	\$ -	\$ -	\$ -	TO REPLACE A 2004 F350 PICK UP TRUCK WITH PLOW
7/7/2005	TOM COLLINS	REPLACE W-22		\$ -	\$ -	\$ 90,000	\$ -	\$ -	TO REPLACE A 1996 10 WHEEL DUMP TRUCK
7/7/2005	TOM COLLINS	REPLACE W-20		\$ -	\$ -	\$ 48,000	\$ -	\$ -	TO REPLACE A 2001 1-TON DUMP TRUCK THAT IS USED IN DAILY WATER/SEWER JOBS
7/8/2005	TOM COLLINS	REPLACE W-14		\$ -	\$ -	\$ 85,000	\$ -	\$ -	TO REPLACE A 1995 JOHN DEERE 410D BACKHOE
7/12/2005	JACKPERODEAU	REPLACESPRINGVALE# 4 WELL	WATER	\$ -	\$ -	\$ -	\$ -	\$ 250,000	REPLACE AND INCREASE THE CAPACITY OF THE SPRINGVALE #4 WELL WITHIN 50 FEET OF THE EXISTING WELL AS REQUIRED BY DEP.
2/2/2006	JACK PERODEAU	SEWER MAIN RELINING	SEWER	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	RELINING OF SEWER MAINS IN VARIOUS LOCATIONS.
2/2/2006	JACK PERODEAU	(OPERATING) GRINDER PUMP	SEWER	\$ -	\$ 50,000	\$ -	\$ -	\$ -	BRADFORD ROAD
2/2/2006	JACK PERODEAU	(OPERATING) BUILD. MAINT. WALK IN SEWER PUMP STATIONS	SEWER	\$ -	\$ -	\$ 30,000	\$ 30,000	\$ 30,000	BUILDING MAINTENANCE AT WALK IN SEWER PUMP STATION BUILDINGS.
2/2/2006	JACK PERODEAU	ELM BANK REPAIRS - VFD	WATER	\$ -	\$ 200,000	\$ -	\$ -	\$ -	RENOVATION TO BUILDING DOORS AND ROOF - REPLACEMENT MOTORS AND PUMPS, INSTALL VFD
2/2/2006	JACK PERODEAU	BOOSTER PUMP - GLENRIDGE	WATER	\$ -	\$ -	\$ 250,000	\$ -	\$ -	WATER PRESSURE BOOSTER PUMP
2/2/2006	JACKPERODEAU	PINEOAKSWELLSREPLACEMENT	WATER	\$ -	\$ 70,000	\$ -	\$ -	\$ -	REPLACEMENT AT PINEOAKSWELL.
2/2/2006	JACK PERODEAU	AIR STRIPPER MAINTENANCE	WATER	\$ 105,000	\$ -	\$ -	\$ -	\$ -	MAINTENANCE OF AIR STRIPPERS AT SPRINGVALE TREATMENT PLANT.
2/2/2006	JACK PERODEAU	PRESSURE FILTER - MEDIA REPLACEMENT	WATER	\$ 210,000	\$ -	\$ -	\$ -	\$ -	REPLACEMENT OF FILTER MEDIA AT THE SPRINGVALE TREATMENT PLANT
8/11/2007	TOM COLLINS	REPLACE W-16		\$ -	\$ -	\$ -	\$ 85,000	\$ -	TO REPLACE A 1995 JOHN DEERE BACKHOE

## Appendix G - Water & Sewer Enterprise Capital

Date Submitted	Dept Head	Project Title	Division	FY 2009	FY2010	FY2011	FY2012	FY2013	Project Description
8/11/2007	TOM COLLINS	REPLACE W-25		\$ -	\$ -	\$ -	\$ 50,000	\$ -	TO REPLACE A2004 SERVICE TRUCK
8/11/2007	TOM COLLINS	REPLACE W-6		\$ -	\$ -	\$ -	\$ -	\$ 50,000	TO REPLACE A 1969 PORTABLE GENERATOR
9/5/2007	JACK PERODEAU	RUNNING BROOK/VESTA RD PUMP STATION	SEWER	\$ -	\$ -	\$ -	\$ 10,000	\$ -	
9/5/2007	JACK PERODEAU	SEWER ALARMS UPGRADE	SEWER	\$ -	\$ -	\$ 100,000	\$ -	\$ -	
9/5/2007	JACK PERODEAU	TRAVIS ROAD GENERATOR	SEWER	\$ -	\$ 50,000	\$ -	\$ -	\$ -	
9/5/2007	JACK PERODEAU	BRADFORD ROAD GENERATOR	SEWER	\$ -	\$ -	\$ -	\$ -	\$ 50,000	
9/5/2007	JACK PERODEAU	SEWER MAIN ON COTTAGE & UNION STREET	SEWER	\$ -	\$ -	\$ 50,000	\$ -	\$ -	
9/5/2007	JACK PERODEAU	WATER MAIN RELINING PHASE 6	WATER	\$ -	\$ -	\$ -	\$ 2,000,000	\$ -	
9/5/2007	JACK PERODEAU	MORSE'S POND REPLACEMENT	WATER	\$ -	\$ -	\$ 200,000	\$ -	\$ -	
9/5/2007	JACK PERODEAU	WTP/ELM BANK SECURITY REHAB	WATER	\$ -	\$ -	\$ 100,000	\$ -	\$ -	
9/5/2007	JACK PERODEAU	CHLORINE UPGRADE ELM BANK/PINE OAKS/M	WATER	\$ -	\$ 90,000	\$ -	\$ -	\$ -	
9/13/2007	JACK PERODEAU	I/I (INFILTRATION AND INFLOW)	WATER	\$ 935,000	\$ -	\$ -	\$ -	\$ -	REPAIR/REHABILITATE PORTIONS OF THE TOWN'S SEWERAGE SYSTEM TO REDUCE I/I (INFILTRATION AND INFLOW)
1/25/2008	JACK PERODEAU	UPGRADE SCADA	WATER	\$ -	\$ -	\$ -	\$ -	\$ -	UPGRADE SCADATOWN WIDE
4/17/2008	JACK PERODEAU	BROADS HILL TOWN FOREST REPAIRS	WATER	\$ -	\$ -	\$ -	\$ -	\$ -	

## Appendix H - Water-Sewer Policies

The Town of Natick does not have adopted policies governing the use and administration of its finances. One such area where policies are a necessary and effective tool is for Enterprise Funds. The list of proposed policies below is not a complete list, and is intended for discussion purposes only. Any adoption of policies for one entity of the Town should be done in concert with a comprehensive set of policies for all fiscal matters.

---



### *Town of Natick, Massachusetts* Water/Sewer Enterprise Fund Recommended Financial Policies

#### **1) Reserves**

Maintaining adequate reserves is a fundamental principle of sound financial management. Although there is no standardized reserve policy guidance for enterprise funds in Massachusetts, industry practice would suggest the following:

- a) Operating Reserve: Maintain 30-60 days of operating reserve in retained earnings or a specialized stabilization fund at all times. The Natick equivalent to this in FY 2009 would be approximately \$1,000,000-\$2,000,000. This reserve could be used to stabilize rates in the event of unforeseen, significant budgetary impacts, (e.g. unpredicted mid-year MWRA Assessments).
- b) Capital Reserve: Maintain an appropriate capital reserve for two purposes: a) to mitigate those pieces of the Town's infrastructure which pose a moderate to immediate risk and require immediate resolution, and b) to fund items which regularly need to be replaced (i.e. Vehicles, Equipment and Small Infrastructure). The recommended amount for Natick would be approximately \$750,000.
- c) Asset Renewal & Replacement Reserve (Stabilization Fund): In order to augment debt issuance and repayment costs, the Town should establish and regularly fund an Asset Renewal & Replacement Fund for the purpose of partially or completely funding capital improvements.

#### **2) Capital Financing**

In order to preserve the Town's fixed asset base and ensure that Water and Sewer facilities, and equipment efficiently and effectively support the Town's programs and operations, the Town should provide consistent and stable funding sources for the timely and periodic renewal and/or replacement of water/sewer infrastructure, vehicles and equipment. To that end:

- a) Methods of Financing: Generally, the Town shall finance all vehicles, equipment and infrastructure with a useful life under 10 years out of its Capital Reserve. For those vehicles, equipment and infrastructure with a useful life greater than 10 years, the town shall borrow as per the regulations set forth under M.G.L. Ch. 44 Sec. 7 & 8 and/or any other applicable laws.
- b) Debt Management: When borrowing is necessary to finance a capital improvement, the Town Finance Director shall seek to issue bonds in such way as to minimize issuance and interest costs while achieving the best terms for the financial betterment of the Enterprise Fund.

c) Capital Planning: All capital projects funded through the Enterprise Fund must be part of the agreed to and adopted 5-year Capital Improvement Plan.

### **3) Rate Structures**

a) The Town of Natick should continue its established practice of ascending or inclined block rates for water usage in order to promote conservation.

b) Rates should be proposed and adopted sufficient to cover all costs incurred during the fiscal year with the exception of catastrophic events. Mid-year rate modifications should be avoided whenever possible.

These policies should be reviewed at regular intervals for their effectiveness and continued improvement.