



Memorandum

To: Board of Selectmen

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

Date: June 2, 2008

Re: Final FY 2009 Rate Recommendations for Water/Sewer

The Board of Selectmen, in your role as Water/Sewer Commissioners, has been presented with a series of memoranda over the last six weeks for the purpose of setting the FY 2009 rates. This memorandum attempts to summarize staff's major recommendations for your consideration.

Multi-Unit Meters

One of the major issues which received significant interest and took considerable staff time over the last month is the issue surrounding the equity of bills produced via Multi-Unit meters. We were challenged to review the current system of billing at the highest tiers for multi-unit meters and the reasons given for why implementing such a system would not be practical at this time. In doing so we took the following steps:

- a) Contacted several communities throughout the Commonwealth to determine how (and if) they average multi-unit properties. The answer was that most of the communities we contacted do average multi-unit properties, but it varies greatly as to how they average. Some communities choose to only average apartments while some choose to only average condominiums. The only consistency between communities is that appears to be no consistency as to how towns address billing multi-unit properties.
- b) We reviewed all of the condominium properties in Natick, their billed usage and the amount of revenue currently billed. We then ran each of the three options without that revenue to determine what it would mean for the rate options currently proposed for the Board of Selectmen.
- c) We reviewed the procedures necessary for implementing averaging within the Finance Department. We determined that our current software system cannot automatically

implement averaging, and as a result we will need to issue manual bills for at least the first 6 months of implementation. This will take up staff considerable resources within the Treasurer/Collector and Assessors Departments.

- d) We have contacted the vendor of our water/sewer billing software to request a quote for an averaging module and the estimated time it would take to produce.

After this review, staff recommends that modified averaging for condominium units currently served by Master Meter’s properties be implemented for FY 2009. Although this will be an added burden on staff, the added time spent to produce average bills for this segment of the Natick community does not outweigh the potential savings to these property owners and equity gained. Condominiums are mainly dwelling units which are owner-occupied, taxpaying properties with low water usage. Modified averaging represents the best solution at this time to produce bills which will reflect the average water usage of those dwelling units.

This proposal has several caveats:

- 1) It is for condomimums in Natick only. The administrative burden of implementing such as system for condominiums is within staff capacity at this time. Other multi-unit properties could be considered in later years, but not at this time due to the extraordinary complexity involved with implementing such an averaging system.
- 2) This proposal effects the rate proposals as laid forth on May 19. The table below shows the amount of revenue required to be raised throughout the rate structure as a result of implementing the averaging proposal.

Table 1: Option	Additional Revenue Required
Option 1: Shift to Higher Tiers	\$ 850,000
Option 2: Leveling of Tiers	\$ 550,000
Option 3: Increase on All Tiers	\$ 450,000

The good news is, in our challenge to review the model and resulting rates we have come up with a method minimize the impact of this proposal. One facet of the current rate structure that was NOT included in the May 19 proposals was to match the highest tier of Water-only users with the highest tier of irrigation meters. This is illustrated in Table 2.

Table 2: Adjustment to Rate Proposals to match highest Water & Irrigation Tiers

	Current Rate Structure (FY 2008)	Proposed Rates (5/19) (Option 3)	New Proposed Rates (6/2) (Option 3)
Water Only Highest Tier	\$6.20	\$5.00	\$7.50
Irrigation Highest Tier	\$6.20	\$10.00	\$7.50

Currently, the highest water tier is billed at the same rate as the highest irrigation tier for the simple estimation that if someone is only using water at that high a level, it is highly likely they are using it for irrigation purposes. This has served as an effective pricing tool to have users install irrigation meters and at the same time promote conservation. By implementing this change in each of the three options as proposed on May 19th, the revenue adjustment necessary to implement modified averaging can be achieved while not greatly affecting the proposed rates for FY 2009.

Rate Proposals

As staff presented on May 19th, the rate proposals which have been produced for your consideration are done with the following goals in mind:

- 1) Raise sufficient revenues to cover appropriated expenses.
- 2) Promote Water Conservation.
- 3) Hold the average user of Water/Sewer services to the average rate of increase necessary to cover costs.

Along with the goals stated above, a fourth goal has been articulated through numerous citizen comments and concerns over the several weeks: fairness. We believe our recommendation on page 1 concerning Multi-unit meters begins to address the greatest inequity of water/sewer billing in the Town of Natick. Other concerns will be reviewed throughout FY 2009 and recommended changes, if any, will be presented during future rate setting discussions.

In the attempt to meet all of the goals laid out above, staff advises that the best rate proposal for FY 2009 is the modified Option 3. (The modification being the adjustment for the highest water/irrigation tier and implementation of modified averaging for Condominium properties). With this proposal, most users under 40HCF will see increases around 20%, and those above will see increases between 20% and 31%. In this way, all Natick rate payers will pay similarly

higher rates of increase, while not jeopardizing the loss of upper tier revenue by excessive rate spikes.

We have prepared modified rate tables for all three options and attached them to this packet for your consideration and/or vote tonight.

This is not a perfect model. Staff is committed to continual review and improvement of all facets of the Water/Sewer operations to ensure that Natick citizens enjoy the highest quality services in the most efficient and cost effective manner possible.

Please let us know if you have any questions.

Proposed Motions:

- 1) Move to approve modified average billing for multi-unit condominium properties for FY 2009.**
- 2) Move to approve water/sewer rates as laid out in Attachment C (Option 3) in support of operating and capital appropriations for FY 2009.**

Attachments:

Attachment A: Rate Sheet for Option 1: Shift to Higher Tiers

Attachment B: Rate Sheet for Option 2: Leveling of Tiers

Attachment C: Rate Sheet for Option 3: Increase on All Tiers

Attachment A: Rate Sheet for Option 1: Shift to Higher Tiers

This option radically changes the existing rate structure for the Town while providing the maximum possible benefit for low water users. Rates have been constructed to benefit Tiers 1 & 2 of water users as well as qualified elderly users. Low water users will witness slight decreases in their rates, the bills for average water user will increase approximately 12.3%, and high water users will see increases of approximately 24-47%.



Town of Natick

Water/Sewer Rates - FY 2009 (Proposed)

Option 1: Inclining Rate Option w/ modification

Rate Changes

This page shows comparative rates between FY 2008 and 2009 in a variety of different rate categories and blocks. To calculate your bill, simply take your usage by tier and then apply the appropriate Rate for either Water and/or Sewer services. For the first time this year there is also an Administrative Service Fee of \$5.00 to be added to the cost of every bill.

Combined Water & Sewer Rates

FY 2008		FY 2009	
0-7	Water	\$ 6.40	0-10 Water \$ 1.38
	Sewer	\$ 26.00	Sewer \$ 3.85
8-20	Water	\$ 1.85	11-20 Water \$ 2.20
	Sewer	\$ 7.20	Sewer \$ 6.90
21-100	Water	\$ 3.10	21-40 Water \$ 3.25
	Sewer	\$ 7.20	Sewer \$ 11.40
100+	Water	\$ 3.70	40+ Water \$ 5.00
	Sewer	\$ 7.20	Sewer \$ 11.40

Combined Elderly Rates

FY 2008		FY 2009	
0-7	Water	\$ -	0-10 Water \$ -
	Sewer	\$ -	Sewer \$ -
8-20	Water	\$ -	11-20 Water \$ -
	Sewer	\$ -	Sewer \$ -
21-100	Water	\$ 2.30	21-40 Water \$ 2.44
	Sewer	\$ 5.35	Sewer \$ 8.55
100+	Water	\$ 2.75	40+ Water \$ 3.75
	Sewer	\$ 5.35	Sewer \$ 8.55

Water Only Rates

FY 2008		FY 2009	
0-7	Water	\$ 6.40	0-10 Water \$ 1.38
8-20	Water	\$ 1.85	11-20 Water \$ 2.20
21-40	Water	\$ 3.10	21-40 Water \$ 3.25
41-100	Water	\$ 5.70	40+ Water \$ 8.15
100+	Water	\$ 6.20	

Elderly Water Only

FY 2008		FY 2009	
0-7	Water	\$ -	0-10 Water \$ -
8-20	Water	\$ -	11-20 Water \$ -
21-100	Water	\$ 2.30	21-40 Water \$ 2.44
41-100	Water	\$ 4.25	41-100 Water \$ 3.75
100+	Water	\$ 4.60	40+ Water \$ 3.75

Irrigation Rates

FY 2008		FY 2009	
0-2	Water	\$ 6.40	0-10 Water \$ 2.50
2-20	Water	\$ 3.45	11-20 Water \$ 5.00
21-100	Water	\$ 5.70	21-40 Water \$ 6.65
100+	Water	\$ 6.20	40+ Water \$ 8.15

Sewer Only Rates

FY 2008		FY 2009	
0-7	Sewer	\$ 26.00	0-10 Sewer \$ 3.85
8 >	Sewer	\$ 7.20	11-20 Sewer \$ 6.90
			20+ Sewer \$ 11.40

Water Only Multi-Unit (Pit)

FY 2008		FY 2009	
0-7	Water	\$ 6.40	0-10 Water \$ 1.38
8-20	Water	\$ 1.85	11-20 Water \$ 2.20
21-100	Water	\$ 3.10	21-40 Water \$ 3.25
100+	Water	\$ 3.70	40+ Water \$ 5.00

Attachment B: Rate Sheet for Option 2: Leveling of Tiers

This option maintains many of the facets of the current rate structure for the Town of Natick. Rates have been constructed to benefit the average user of water & sewer services (Tier 3) while attempting to level all tiers by increasing rates for the lowest and highest tiers the most. The average user will witness rate increases of approximately 14.3%



Town of Natick

Water/Sewer Rates - FY 2009 (Proposed)
Option 2: Leveling of Tiers w/modification

Rate Changes

This page shows comparative rates between FY 2008 and 2009 in a variety of different rate categories and blocks. To calculate your bill, simply take your usage by tier and then apply the appropriate Rate for either Water and/or Sewer services. For the first time this year there is also an Administrative Service Fee of \$5.00 to be added to the cost of every bill.

Combined Water & Sewer Rates

FY 2008		FY 2009	
0-7	Water	\$ 6.40	0-10 Water \$ 0.75
	Sewer	\$ 26.00	Sewer \$ 7.89
8-20	Water	\$ 1.85	11-20 Water \$ 1.00
	Sewer	\$ 7.20	Sewer \$ 7.89
21-100	Water	\$ 3.10	21-40 Water \$ 2.55
	Sewer	\$ 7.20	Sewer \$ 7.89
100+	Water	\$ 3.70	40+ Water \$ 6.88
	Sewer	\$ 7.20	Sewer \$ 7.89

Combined Elderly Rates

FY 2008		FY 2009	
0-7	Water	\$ -	0-10 Water \$ -
	Sewer	\$ -	Sewer \$ -
8-20	Water	\$ -	11-20 Water \$ -
	Sewer	\$ -	Sewer \$ -
21-100	Water	\$ 2.30	21-40 Water \$ 1.91
	Sewer	\$ 5.35	Sewer \$ 5.92
100+	Water	\$ 2.75	40+ Water \$ 5.16
	Sewer	\$ 5.35	Sewer \$ 5.92

Water Only Rates

FY 2008		FY 2009	
0-7	Water	\$ 6.40	0-10 Water \$ 0.75
8-20	Water	\$ 1.85	11-20 Water \$ 1.00
21-40	Water	\$ 3.10	21-40 Water \$ 2.55
41-100	Water	\$ 5.70	40+ Water \$ 8.45
100+	Water	\$ 6.20	

Elderly Water Only

FY 2008		FY 2009	
0-7	Water	\$ -	0-10 Water \$ -
8-20	Water	\$ -	11-20 Water \$ -
21-100	Water	\$ 2.30	21-40 Water \$ 1.91
41-100	Water	\$ 4.25	41-100 Water \$ 5.16
100+	Water	\$ 4.60	40+ Water \$ 5.16

Irrigation Rates

FY 2008		FY 2009	
0-2	Water	\$ 6.40	0-10 Water \$ 2.50
2-20	Water	\$ 3.45	11-20 Water \$ 5.00
21-100	Water	\$ 5.70	21-40 Water \$ 6.75
100+	Water	\$ 6.20	40+ Water \$ 8.45

Sewer Only Rates

FY 2008		FY 2009	
0-7	Sewer	\$ 26.00	0-10 Sewer \$ 7.89
8 >	Sewer	\$ 7.20	11-20 Sewer \$ 7.89
			20+ Sewer \$ 7.89

Water Only Multi-Unit (Pit)

FY 2008		FY 2009	
0-7	Water	\$ 6.40	0-10 Water \$ 0.75
8-20	Water	\$ 1.85	11-20 Water \$ 1.00
21-100	Water	\$ 3.10	21-40 Water \$ 2.55
100+	Water	\$ 3.70	40+ Water \$ 6.88

Attachment C: Rate Sheet for Option 3: Increase on All Tiers

This option attempts to spread the rate increase out as evenly as possible over all users. Most users will witness increases between approximately 19% and 32%. The average user will see an increase of approximately 20.3%



Town of Natick

Water/Sewer Rates - FY 2009 (Proposed)

Option 3: Level increase on all tiers w/modification

Rate Changes

Combined Water & Sewer Rates

FY 2008		FY 2009	
0-7	Water \$ 6.40	0-10	Water \$ 1.30
	Sewer \$ 26.00		Sewer \$ 5.24
8-20	Water \$ 1.85	11-20	Water \$ 1.85
	Sewer \$ 7.20		Sewer \$ 9.25
21-100	Water \$ 3.10	21-40	Water \$ 3.00
	Sewer \$ 7.20		Sewer \$ 9.25
100+	Water \$ 3.70	40+	Water \$ 5.00
	Sewer \$ 7.20		Sewer \$ 9.25

Combined Elderly Rates

FY 2008		FY 2009	
0-7	Water \$ -	0-10	Water \$ -
	Sewer \$ -		Sewer \$ -
8-20	Water \$ -	11-20	Water \$ -
	Sewer \$ -		Sewer \$ -
21-100	Water \$ 2.30	21-40	Water \$ 2.25
	Sewer \$ 5.35		Sewer \$ 6.94
100+	Water \$ 2.75	40+	Water \$ 3.75
	Sewer \$ 5.35		Sewer \$ 6.94

Water Only Rates

FY 2008		FY 2009	
0-7	Water \$ 6.40	0-10	Water \$ 1.30
8-20	Water \$ 1.85	11-20	Water \$ 1.85
21-40	Water \$ 3.10	21-40	Water \$ 3.00
41-100	Water \$ 5.70	41-100	Water \$ 7.50
100+	Water \$ 6.20	40+	Water \$ 7.50

Elderly Water Only

FY 2008		FY 2009	
0-7	Water \$ -	0-10	Water \$ -
8-20	Water \$ -	11-20	Water \$ -
21-100	Water \$ 2.30	21-40	Water \$ 2.25
41-100	Water \$ 4.25	41-100	Water \$ 3.75
100+	Water \$ 4.60	40+	Water \$ 3.75

Irrigation Rates

FY 2008		FY 2009	
0-2	Water \$ 6.40	0-10	Water \$ 2.50
2-20	Water \$ 3.45	11-20	Water \$ 5.00
21-100	Water \$ 5.70	21-40	Water \$ 6.25
100+	Water \$ 6.20	40+	Water \$ 7.50

Sewer Only Rates

FY 2008		FY 2009	
0-7	Sewer \$ 26.00	0-10	Sewer \$ 5.24
8 >	Sewer \$ 7.20	11-20	Sewer \$ 9.25
		20+	Sewer \$ 9.25

Water Only Multi-Unit (Pit)

FY 2008		FY 2009	
0-7	Water \$ 6.40	0-10	Water \$ 1.30
8-20	Water \$ 1.85	11-20	Water \$ 1.85
21-100	Water \$ 3.10	21-40	Water \$ 3.00
100+	Water \$ 3.70	40+	Water \$ 5.00