

TOWN OF WINCHESTER



2020 Spring Town Meeting

ARTICLE 6 - REVISED

Majority vote required

To see if the Town will vote to amend the water and sewer rates currently in effect in accordance with Chapter 7, Section 3 of the Code of By-Laws; or take any other action in relation thereto.

(Select Board)

MOTION:

MOVED AND SECONDED that the Town, in accordance with Chapter 7, Section 3 of the Town of Winchester Code of By-Laws, vote to amend the water and sewer rates currently in effect. All bills for consumption on or after March 1, 2020, shall be in conformance with the following rates:

Residential Accounts (in accordance with Chapter 110)

Water:

0-15	Units Per Billing Period	\$1.57	ccf
16-45	Units Per Billing Period	\$3.90	ccf
Over 45	Units Per Billing Period	\$6.23	ccf

Low-Income Water:

0-15	Units Per Billing Period	\$1.25	ccf
16-45	Units Per Billing Period	\$3.10	ccf
Over 45	Units Per Billing Period	\$4.97	ccf

Sewer:

0-15	Units Per Billing Period	\$1.60	ccf
16-45	Units Per Billing Period	\$5.07	ccf
Over 45	Units Per Billing Period	\$7.87	ccf

Low-Income Sewer:

0-15	Units Per Billing Period	\$1.28	ccf
16-45	Units Per Billing Period	\$4.07	ccf
Over 45	Units Per Billing Period	\$6.31	ccf

Commercial/Industrial/Institutional

Water:

0-75	Units Per Billing Period	\$6.29	ccf
Over 75	Units Per Billing Period	\$7.71	ccf

Sewer:

0-75	Units Per Billing Period	\$8.21	ccf
Over 75	Units Per Billing Period	\$11.14	ccf

Service Charge: \$30 Per Billing Period

BACKGROUND

The Water & Sewer Enterprise Fund is used by the Town to pay for operation, maintenance, and capital costs associated with the water, sewer, and stormwater systems. Its primary source of funding is revenue from user bills. After not updating water and sewer rates for FY 2019, the Town increased water and sewer rates 3.5% for the current fiscal year, FY 2020. Despite this rate increase, water and sewer billings in FY 2020 were down about 8.0% from FY 2019's billings. The primary reason for the decrease in billings is a rainy, wet spring in 2019. Generally, wet springs mean less outdoor water usage, which means less billings. Many non-urban communities in Massachusetts have seen similar decreases in consumption and billings in FY 2020 and are looking at larger-than-normal rate increases to generate additional revenues to cover expenditures and to begin replenishing retained earnings. With another wet spring this year, lower overall consumption in FY 2021 similar to FY 2020's consumption level is foreseeable, increasing the need for the Town to raise water and sewer revenues to help cover FY 2021 expenditures.

Because it is designated as an enterprise fund, water and sewer revenues that exceed a given year's actual operating expenses do not revert into the Town's general fund at year's end, and instead remain in the fund as retained earnings. Having healthy retained earnings in the recent past has allowed certain water and sewer capital projects and federal stormwater permit compliance to be funded out of retained earnings. A portion of available retained earnings has been used during the current fiscal year for capital outlays and stormwater permit compliance, but also to support the operational budget. Water and sewer retained earnings were certified at \$1,081,534, as of July 1, 2019, after subtracting about \$400,000 appropriated for the FY 2020 budget by Spring Town Meeting in May. Fall 2019 Town Meeting appropriated a further approximately \$300,000 of retained earnings. In total, over \$700,000 of retained earnings have been appropriated to fund FY 2020 expenditures, and an additional amount will be needed to cover the projected FY 2020 deficit, which is expected to exceed \$400,000. Only a small amount of retained earnings, 3% of annual operating costs or less, would remain. As a best practice, a retained earnings balance of at least 10% of annual operating costs is recommended. A healthy retained earnings balance allows an enterprise fund to manage an operating deficit due to a wet year and to handle an unexpected large expense. With votes for retained earnings to fund FY 2021 expenditures planned, the available retained earnings balance will dwindle further.

The per-bill water and sewer service charge exists as a mechanism for the Water & Sewer Enterprise Fund to recover operating costs that do not vary with consumption. These include meter reading, meter maintenance, billing, office support, and other general administrative costs, as well as indirect costs for collections and other shared services, that are incurred regardless of variations in consumption levels. The service charge has not changed since it was established in 2007. DPW administration and a consultant analyzed the fund's administrative costs budgeted for FY 2021, which totaled about \$850,000 and are expected to be recovered with the proposed service charge of \$30 per bill based on the number of bills expected to be generated in FY 2021. A table below contains a comparison of Winchester's annual service charge to other communities' annual service charge.

The Town's most recent capital plans for water, sewer, and stormwater, maintained by the Town's Department of Public Works and Engineering Department, consists of purchases and upgrades over the next 10 years that are expected to cost almost \$21 million in total and result in over \$4 million of additional debt over the next five years and over \$300,000 of capital outlay purchases. Debt for the North Reservoir Dam project is included and is anticipated to start in FY 2022. Additionally, the Town expects to pay an average of approximately \$250,000 per year for stormwater permit-compliance over the next few years. All stormwater permit-compliance costs have been funded out of retained earnings, as is the plan for FY 2021.

FY 2021 anticipated expenditures are broken down as follows:

- MWRA Assessments: \$6.3 million
- Operating Expenses: \$2.3 million
- Stormwater Permit Compliance: \$205,000
- Local Debt Service: \$1.3 million
- Indirect Costs: \$1.5 million
- Total: \$11.6 million

The proposed plan involves a rate and service charge increase covering all bills issued during FY 2021. Projections show a small surplus in FY 2021, with the proposed plan in place. Surplus revenues would be added to retained earnings at the end of the fiscal year. A multi-year plan to replenish retained earnings to a healthy level will be reviewed each year moving forward.

For FY 2021, the Select Board is prepared to recommend a 12.0% increase in water and sewer rates for consumption on or after March 1, 2020, and an increase in the service charge from \$5 per bill to \$30 per bill. The above motion represents the final recommendations of the Select Board. Please find below tables comparing current rates and service charge with proposed rates and service charge. There is also a table listing service charges of nearby communities, for comparison. Finally, there is a table comparing users' current bills to projected bills with the proposed rates and service charge.

Residential

Tiers	Current		Proposed FY 2021	
	Water	Sewer	Water	Sewer
0 - 15	\$1.40	\$1.43	\$1.57	\$1.60
16 - 45	\$3.48	\$4.53	\$3.90	\$5.07
Over 45	\$5.56	\$7.03	\$6.23	\$7.87
Service Ch.	\$5.00		\$30.00	

Low Income

Tiers	Current		Proposed FY 2021	
	Water	Sewer	Water	Sewer
0 - 15	\$1.12	\$1.14	\$1.25	\$1.28
16 - 45	\$2.77	\$3.63	\$3.10	\$4.07
Over 45	\$4.44	\$5.63	\$4.97	\$6.31
Service Ch.	\$5.00		\$30.00	

Commercial / Industrial / Institutional

Tiers	Current		Proposed FY 2021	
	Water	Sewer	Water	Sewer
0 - 75	\$5.62	\$7.33	\$6.29	\$8.21
Over 75	\$6.88	\$9.95	\$7.71	\$11.14
Service Ch	\$5.00		\$30.00	

Note: Unit is 100 cubic feet.

Comparison of Service Charge – Winchester and Other Communities

Arlington	Bedford	Belmont	Brookline	Canton	Melrose	Wakefield	Winchester
\$46.04 to \$60.12	\$80.00	\$156.48 to \$175.76	\$240.00 to \$580.00	\$70.00	\$166.00	\$152.00	\$20.00

Note: Charges shown are annual and from FY 2020.

Impact on Users' Bills

User Type	Usage	Current Bill	Proposed FY 2021	
			Bill	Diff \$
Tier 1 Residential	15	\$47.45	\$77.54	\$30.09
Average Residential	21	\$95.51	\$131.37	\$35.86
Average Commercial	37	\$484.15	\$566.65	\$82.50
Average Irrigation	74	\$652.86	\$755.60	\$102.74

Notes: Quarterly water and sewer bills shown. Bill amounts shown *include* service charge of \$5 per bill for current bills and \$30 per bill for proposed bills.