

Town of Natick

Water/Sewer Rate Setting
for FY 2017

May 31, 2016



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Overview

- Overview of Enterprise Fund & Rate Setting
- Review of the Fund
- Rate Recommendations
- Future Year Considerations



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Overview of Enterprise Fund & Rate Setting:

- 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 cover appropriated expenses in order to approve tax recapitulation in December for all funds.
- Therefore rates must be set timely to ensure that sufficient revenues are planned to meet the expenses of the fund.



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Overview of Enterprise Fund & Rate Setting:

- FY 2017 Rates are based on a model which uses actual usage data from FY 2006-2015.
- Staff used the usage for these years and then applied the rates as proposed in each option to every meter read to obtain a purely data-driven model for rate revenues.
- Since not all fees are collected in a given year, all rate options are shown at 92% 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.



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Overview of Enterprise Fund & Rate Setting:

- 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 calculated to meet those expenses.
- The expense process began last fall with the development of the Water/Sewer Enterprise Budget.
- Expenses are discussed at length from January to their approval at Town Meeting in the spring.



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

	2015 Appropriation	2016 Appropriation	2017 Appropriated	2018 Estimate	2019 Estimate
Revenues					
User Charges	12,793,448	13,421,612	13,598,854	14,549,943	15,051,991
Connection Fees	70,000	100,000	100,000	100,000	100,000
Other Departmental Income	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Investment Income	20,000	20,000	20,000	20,000	20,000
Retained Earnings	245,000	373,000	291,000	197,000	144,000
Total Revenues	14,228,448	15,014,612	15,109,854	15,966,943	16,415,991
Expenses					
Sewer	6,326,185	6,588,213	6,768,861	7,107,304	7,462,669
Water	2,011,383	2,202,991	2,301,900	2,370,957	2,442,086
Utility Billing	183,814	188,793	201,214	207,250	213,468
Fringe Benefits	723,751	791,486	737,941	782,217	829,150
Debt Service	2,330,915	2,462,729	2,390,788	2,861,883	2,861,883
Reserve Fund	200,000	200,000	200,000	200,000	200,000
Indirects (included in G/F)	2,207,400	2,207,400	2,218,150	2,240,332	2,262,735
Capital	245,000	373,000	291,000	197,000	144,000
Total Expenses	14,228,448	15,014,612	15,109,854	15,966,943	16,415,991



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Drivers

1. Budget

- Debt Service – forecast at \$2,390,378
- Energy Cost – estimated increase 13%
- MWRA Rates – 84.9% of the sewer costs

2. Potential Summer Water Ban

3. Average Use Drop



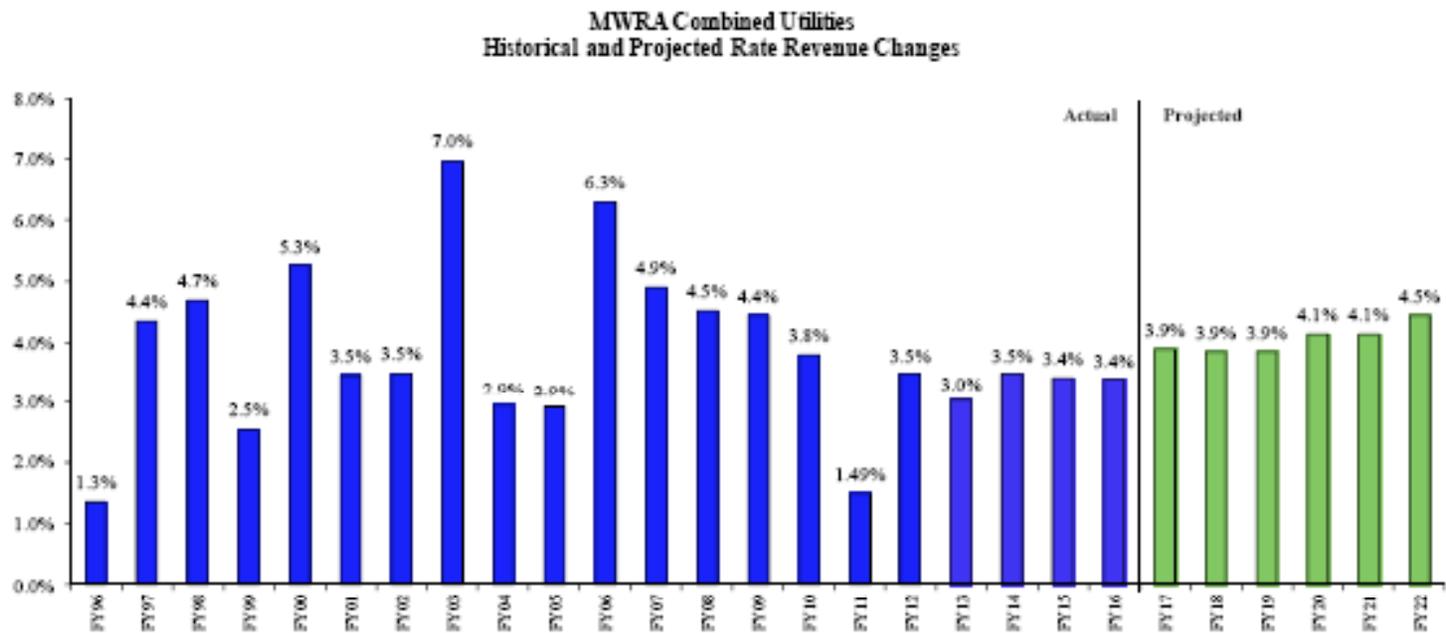
Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

MWRA Fees

Fiscal Year	Fee	Change	
2010	\$4,219,801	\$278,170	
2011	\$4,346,280	\$126,479	3.00%
2012	\$4,460,551	\$114,271	2.63%
2013	\$4,634,401	\$173,850	3.90%
2014	\$4,903,457	\$269,056	5.81%
2015	\$5,330,803	\$427,346	8.72%
2016	\$5,526,614	\$195,811	3.67%
Proposed 2017	\$5,748,874	\$220,260	4.02%
Since 2010		38.3%	
Percent of Sewer Budget		84.9%	

MWRA Rate Changes



Town of Natick – FY 2017 Water/Sewer
Rate Setting



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

- Overall Usage dropped in FY 2015.

Water & Sewer Usage (in Hundred Cubic Feet)

FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY 2012	FY 2013	FY 2014	FY 2015
1,628,202	1,409,444	1,422,220	1,408,927	1,408,927	1,329,410	1,365,462	1,379,663	1,376,176

- Current Year to date use is trending similar to FY2015.



Town of Natick

Water/Sewer Rates - FY 2017 (Proposed)

Usage History

Attachment D

This attachment provides a history of gross usage in the water/sewer enterprise fund. Amounts shown are in Hundred Cubic Feet (HCF).

Based on FY2008 Use			Based on FY2009 Use			Based on FY2010 Use		
CODE	USE	AVERAGE	CODE	USE	AVERAGE	CODE	USE	AVERAGE
ELD	7,379	14.64	ELD	6,434	14.27	ELD	5,621	14.34
ELW	1,986	14.71	ELW	1,274	11.80	ELW	1,014	12.07
IRR	229,183	23.73	IRR	160,116	18.05	IRR	115,156	13.17
PIT	16,186	735.73	PIT	11,746	587.30	PIT	2,067	516.75
SEW	20,942	265.09	SEW	13,229	171.81	SEW	12,157	209.60
WAT	169,441	27.8	WAT	136,178	24.84	WAT	130,920	25.44
WSM	1,183,085	29.33	WSM	1,080,467	28.54	WSM	1,155,285	31.62
Total	1,628,202		Total	1,409,444		Total	1,422,220	

Based on FY2011 Use			Based on FY2012 Use			Based on FY2013 Use		
CODE	USE	AVERAGE	CODE	USE	AVERAGE	CODE	USE	AVERAGE
ELD	5,710	14.87	ELD	5,511	14.31	ELD	5,289	15.15
ELW	1,076	13.62	ELW	873	10.91	ELW	815	12.73
IRR	171,645	19.85	IRR	137,975	15.64	IRR	162,702	17.86
PIT#			PIT#			PIT#		
SEW	7,441	130.54	SEW	9,041	74.72	SEW	9,846	79.40
WAT	146,227	24.42	WAT	131,325	21.50	WAT	130,783	22.22
WSM	1,076,828	17.92	WSM	1,044,685	16.79	WSM	1,056,027	16.73
Total	1,408,927		Total	1,329,410		Total	1,365,462	

PIT meters are now averaged

Based on FY2014 Use			Based on FY2015 Use			Six-Year Average		
CODE	USE	AVERAGE	CODE	USE	AVERAGE	CODE	USE	AVERAGE
ELD	4,147	13.55	ELD	3,970	13.15	ELD	5,041	14.23
ELW	650	13.54	ELW	562	11.71	ELW	832	12.43
IRR	167,342	16.08	IRR	170,420	16.12	IRR	154,207	16.45
PIT#			PIT#			PIT		
SEW	11,370	77.35	SEW	10,571	83.90	SEW	10,071	109.25
WAT	128,636	22.07	WAT	125,327	21.41	WAT	132,203	22.84
WSM	1,067,518	15.89	WSM	1,065,326	15.27	WSM	1,077,612	19.04
Total	1,379,663		Total	1,376,176		Total	1,379,965	



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Irrigation Usage History

Irrigation Usage (in Hundred Cubic Feet)

FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY 2012	FY 2013	FY 2014	FY 2015
229,183	160,116	115,156	171,645	171,645	137,975	162,702	167,342	170,420



Irrigation use is important to balance the fund

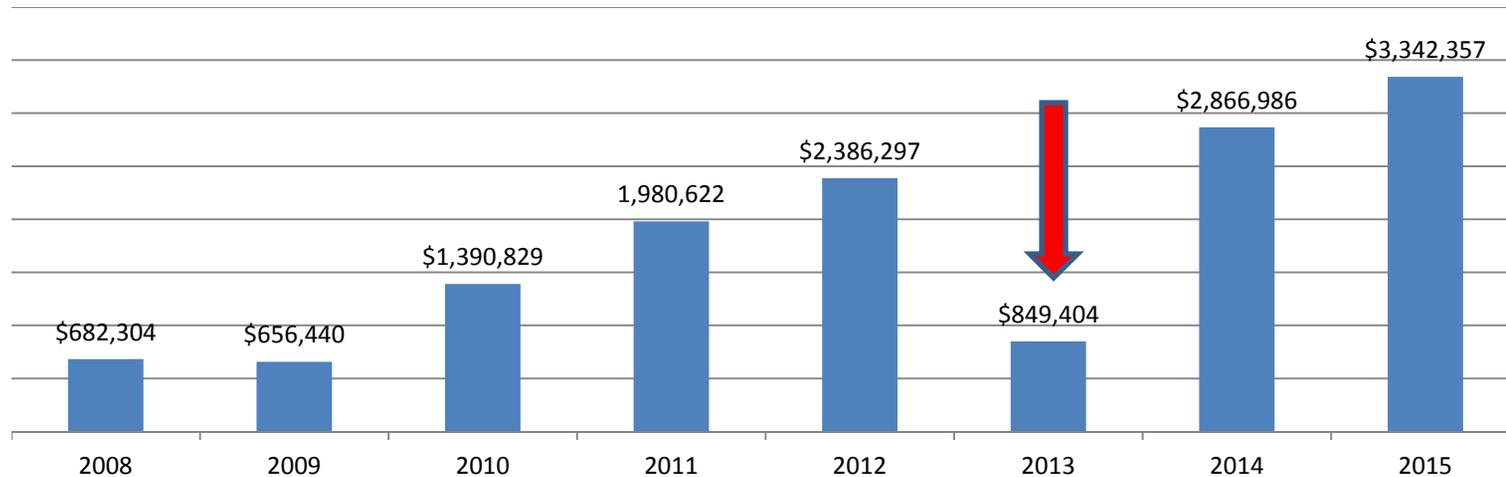


Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Retained Earnings

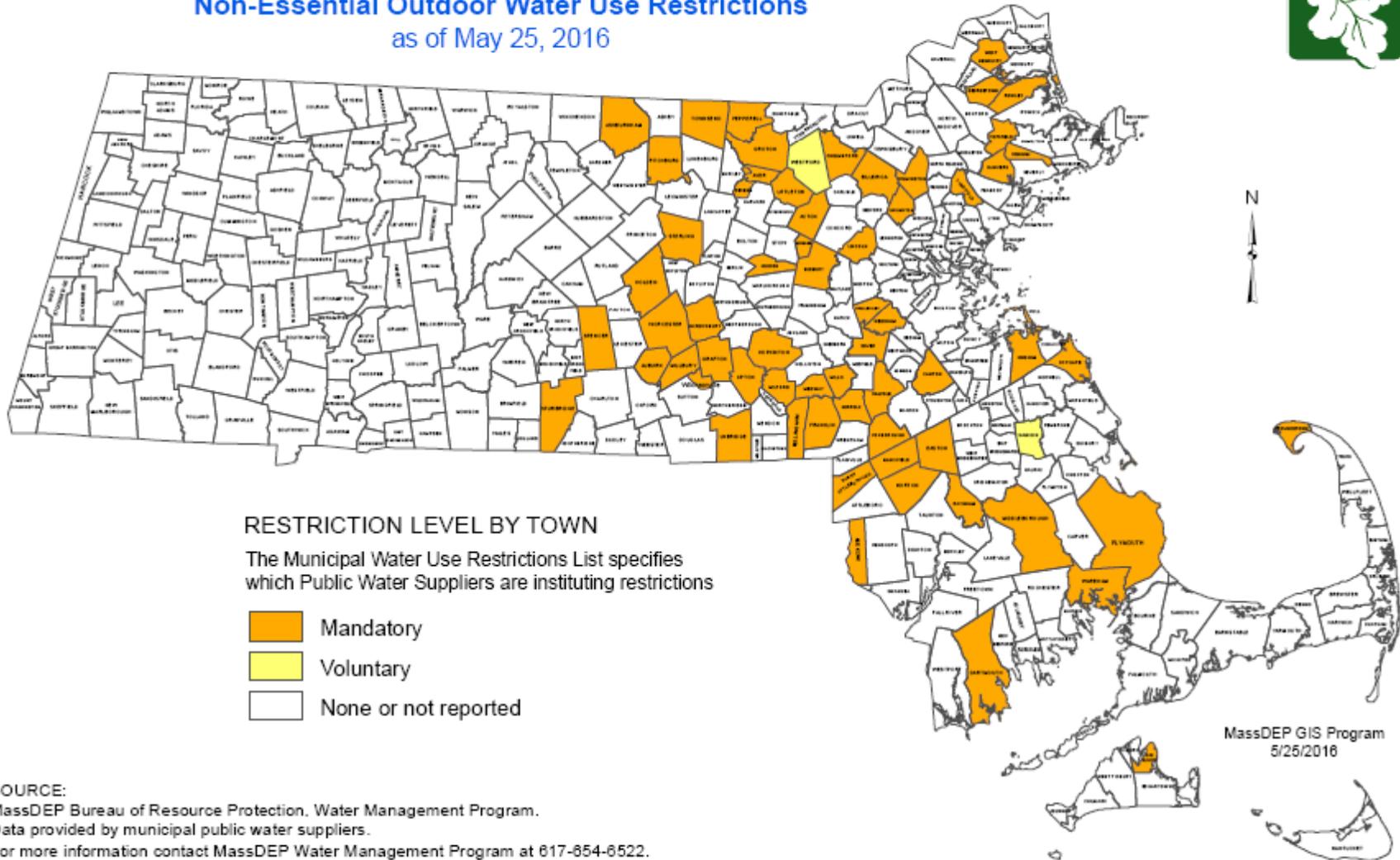
Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015
Certiifed Retained Earnings	\$682,304	\$656,440	\$1,390,829	1,980,622	\$2,386,297	\$849,404	\$2,866,986	\$3,342,357
Total Fund	\$12,463,370	\$12,753,636	\$13,180,066	\$13,237,497	\$13,366,834	\$13,878,545	\$13,171,611	\$14,347,688
10% Target	\$1,246,337	\$1,275,364	\$1,318,007	\$1,323,750	\$1,336,683	\$1,387,855	\$1,317,161	\$1,434,769
Reserves Met	No	No	Yes	Yes	Yes	No	Yes	Yes



Irrigation use dropped significantly in FY2012 dropping the 2013 retained earnings

CURRENT MUNICIPAL WATER USE RESTRICTIONS

Non-Essential Outdoor Water Use Restrictions as of May 25, 2016



SOURCE:
MassDEP Bureau of Resource Protection, Water Management Program.
Data provided by municipal public water suppliers.
For more information contact MassDEP Water Management Program at 617-854-8522.



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Rate Proposal:

We are recommending a 2.0% increase in water rates and a 4.5 % increase in sewer rates.

- No change in tiers or rate structure

**Overall proposed average change
for water and sewer users : 3.6%**



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Future Year Considerations

FY 2017-Beyond

- Took into account all known and projected unknown costs; including but not limited to: Labor Contracts, General Expenses, MWRA Assessments, Health Care costs, Pension costs, Debt Service, Indirects and the Five-year Capital Improvement Plan.



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

- Variables:
 - *Unknown extent of real increases in debt service, health care, DEP/EPA requirements or MWRA Assessments. These cost drivers could be significantly higher or lower than forecast.*



Town of Natick

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Capital	245,000	373,000	291,000	197,000	144,000
Total Expenses	14,228,448	15,014,612	15,109,854	15,966,943	16,415,991
			2.0% Water/4.5% Sewer	5.67%	2.80%



Town of Natick

Water/Sewer Rate Setting for FY 2017 – May 31, 2016

Rate Recommendation:

Staff recommends the Board of Selectmen vote:

Raise water rates by 2.0% and sewer rates by 4.5%.

We believe that this rate increase is necessary to preserve the financial stability of the Enterprise Fund, maintain operations and ensure that the appropriate degree of capital and operational investment can be made in the water & sewer system of the Town of Natick.



Town of Natick

Proposed Water/Sewer Rates - FY 2017

Water 2.00%

Sewer 4.50%

Rate Changes

This page shows comparative rates between FY 2016 and FY2017 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.

Combined Water & Sewer Rates

<u>FY 2016</u>		<u>FY 2017</u>	
0-10	Water	\$ 1.68	0-10 Water \$ 1.71
	Sewer	\$ 4.53	Sewer \$ 4.73
11-20	Water	\$ 2.57	11-20 Water \$ 2.62
	Sewer	\$ 8.07	Sewer \$ 8.43
21-40	Water	\$ 3.80	21-40 Water \$ 3.88
	Sewer	\$ 13.34	Sewer \$ 13.94
40+	Water	\$ 5.91	40+ Water \$ 6.03
	Sewer	\$ 13.34	Sewer \$ 13.94

Combined Elderly Rates

<u>FY 2016</u>		<u>FY 2017</u>	
0-10	Water	\$ -	0-10 Water \$ -
	Sewer	\$ -	Sewer \$ -
11-20	Water	\$ -	11-20 Water \$ -
	Sewer	\$ -	Sewer \$ -
21-40	Water	\$ 2.71	21-40 Water \$ 2.76
	Sewer	\$ 9.49	Sewer \$ 9.92
40+	Water	\$ 4.21	40+ Water \$ 4.29
	Sewer	\$ 9.49	Sewer \$ 9.92

Water Only

<u>FY 2016</u>		<u>FY 2017</u>	
0-10	Water	\$ 1.68	0-10 Water \$ 1.71
11-20	Water	\$ 2.57	11-20 Water \$ 2.62
21-40	Water	\$ 3.80	21-40 Water \$ 3.88
40+	Water	\$ 9.57	40+ Water \$ 9.76

Elderly Water Only

<u>FY 2016</u>		<u>FY 2017</u>	
0-10	Water	\$ -	0-10 Water \$ -
11-20	Water	\$ -	11-20 Water \$ -
21-40	Water	\$ 2.71	21-40 Water \$ 2.76
40+	Water	\$ 4.21	40+ Water \$ 4.29

Irrigation

<u>FY 2016</u>		<u>FY 2017</u>	
0-10	Water	\$ 3.00	0-10 Water \$ 3.06
11-20	Water	\$ 5.84	11-20 Water \$ 5.96
21-40	Water	\$ 7.80	21-40 Water \$ 7.96
40+	Water	\$ 9.57	40+ Water \$ 9.76

Sewer Only

<u>FY 2016</u>		<u>FY 2017</u>	
0-10	Sewer	\$ 4.53	0-10 Sewer \$ 4.73
		\$ -	\$ -
11-20	Sewer	\$ 8.07	11-20 Sewer \$ 8.43
		\$ -	\$ -
20+	Sewer	\$ 13.34	20+ Sewer \$ 13.94

Thank You

Comments or Questions

Usage	Fiscal Year		Difference	
	2016	2017	\$	%
0	\$ 5.00	\$ 5.00	\$ -	0.0%
1	\$ 11.21	\$ 11.44	\$ 0.23	2.1%
2	\$ 17.42	\$ 17.88	\$ 0.46	2.6%
3	\$ 23.63	\$ 24.32	\$ 0.69	2.9%
4	\$ 29.84	\$ 30.76	\$ 0.92	3.1%
5	\$ 36.05	\$ 37.20	\$ 1.15	3.2%
6	\$ 42.26	\$ 43.64	\$ 1.38	3.3%
7	\$ 48.47	\$ 50.08	\$ 1.61	3.3%
8	\$ 54.68	\$ 56.52	\$ 1.84	3.4%
9	\$ 60.89	\$ 62.96	\$ 2.07	3.4%
10	\$ 67.10	\$ 69.40	\$ 2.30	3.4%
11	\$ 77.74	\$ 80.45	\$ 2.71	3.5%
12	\$ 88.38	\$ 91.50	\$ 3.12	3.5%
13	\$ 99.02	\$ 102.55	\$ 3.53	3.6%
14	\$ 109.66	\$ 113.60	\$ 3.94	3.6%
15	\$ 120.30	\$ 124.65	\$ 4.35	3.6%
15.27	\$ 123.17	\$ 127.63	\$ 4.46	3.6%
Current Average Use (after averaging)				
16	\$ 130.94	\$ 135.70	\$ 4.76	3.6%
17	\$ 141.58	\$ 146.75	\$ 5.17	3.7%
18	\$ 152.22	\$ 157.80	\$ 5.58	3.7%
19	\$ 162.86	\$ 168.85	\$ 5.99	3.7%
20	\$ 173.50	\$ 179.90	\$ 6.40	3.7%
25	\$ 259.20	\$ 269.00	\$ 9.80	3.8%
30	\$ 344.00	\$ 358.10	\$ 13.20	3.8%
35	\$ 430.60	\$ 447.20	\$ 16.60	3.9%
40	\$ 516.30	\$ 536.30	\$ 20.00	3.9%
45	\$ 612.55	\$ 636.15	\$ 23.60	3.9%
50	\$ 708.80	\$ 736.00	\$ 27.20	3.8%
55	\$ 805.05	\$ 835.85	\$ 30.80	3.8%
60	\$ 901.30	\$ 935.70	\$ 34.40	3.8%
65	\$ 997.55	\$ 1,035.55	\$ 38.00	3.8%
70	\$ 1,093.80	\$ 1,135.40	\$ 41.60	3.8%
75	\$ 1,190.05	\$ 1,235.25	\$ 45.20	3.8%
80	\$ 1,286.30	\$ 1,335.10	\$ 48.80	3.8%
85	\$ 1,382.55	\$ 1,434.95	\$ 52.40	3.8%
90	\$ 1,478.80	\$ 1,534.80	\$ 56.00	3.8%
100	\$ 1,671.30	\$ 1,734.50	\$ 63.20	3.8%
110	\$ 1,863.80	\$ 1,934.20	\$ 70.40	3.8%
120	\$ 2,056.30	\$ 2,133.90	\$ 77.60	3.8%

Town of Natick – FY 2017 Water/Sewer
Rate Setting

Current Rates			Proposed FY 2017 Rates			%
Standard Water and Sewer User			Standard Water and Sewer User			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ 36.05	\$ 144.20	5	\$ 37.20	\$ 148.80	3.2%
20	\$ 173.50	\$ 694.00	20	\$ 179.90	\$ 719.60	3.7%
40	\$ 516.30	\$ 2,065.20	40	\$ 536.30	\$ 2,145.20	3.9%
75	\$ 1,190.05	\$ 4,760.20	75	\$ 1,235.25	\$ 4,941.00	3.8%
120	\$ 2,056.30	\$ 8,225.20	120	\$ 2,133.90	\$ 8,535.60	3.8%
Elderly Discount Eligible			Elderly Discount Eligible			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ -	\$ -	5	\$ -	\$ -	0.0%
20	\$ -	\$ -	20	\$ -	\$ -	0.0%
40	\$ 244.00	\$ 976.00	40	\$ 253.60	\$ 1,014.40	3.9%
75	\$ 723.50	\$ 2,894.00	75	\$ 750.95	\$ 3,003.80	3.8%
120	\$ 1,340.00	\$ 5,360.00	120	\$ 1,390.40	\$ 5,561.60	3.8%
Water Only User			Water Only User			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ 13.40	\$ 53.60	5	\$ 13.55	\$ 54.20	1.5%
20	\$ 47.50	\$ 190.00	20	\$ 48.30	\$ 193.20	1.9%
40	\$ 123.50	\$ 494.00	40	\$ 125.90	\$ 503.60	2.0%
75	\$ 458.45	\$ 1,833.80	75	\$ 467.50	\$ 1,870.00	2.0%
120	\$ 889.10	\$ 3,556.40	120	\$ 906.70	\$ 3,626.80	2.0%
Irrigation User			Irrigation User			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ 20.00	\$ 70.00	5	\$ 20.30	\$ 81.20	1.5%
20	\$ 93.40	\$ 320.00	20	\$ 95.20	\$ 380.80	1.9%
40	\$ 249.40	\$ 852.00	40	\$ 254.40	\$ 1,017.60	2.0%
75	\$ 584.35	\$ 1,993.00	75	\$ 596.00	\$ 2,384.00	2.0%
120	\$ 1,015.00	\$ 3,460.00	120	\$ 1,035.20	\$ 4,140.80	2.0%

Town of Natick – FY 2017 Water/Sewer
Rate Setting