



## *Memorandum*

To: Board of Selectmen  
Martha White, Town Administrator

From: Michael Walters Young, Deputy Town Administrator  
Ted Jankowski, Treasurer/Collector

Date: Thursday, May, 16, 2013

Re: Final Water and Sewer Rate Recommendations for FY 2014

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At the last meeting of the Board of Selectmen, staff presented to you a recommendation for water & sewer rates for the upcoming Fiscal Year, FY 2014. That recommendation had two primary components to it:

- 1) Overall rate increase of 3.5% effective July 1, 2013**
- 2) Application of a vacancy rate factor of 5% to all multi-unit developments (MUD's)**

Staff was asked to evaluate the impact of the vacancy rate factor upon each type of multi-unit development. The table on the following page shows the "breakpoints" of implementing a 5 % vacancy rate factor on all multi-unit developments. As is demonstrated on the detailed table on page 2, 801 accounts would qualify under this proposal and it would generate an estimated \$92,262 in FY 2014. It should be stated that in the formal rate setting packet presented on May 6, 2013, the estimate for implementing a 5% vacancy rate on averaged properties would generate approximately \$80,000 in additional revenue. We now believe through more careful analysis that if it were to be implemented throughout all averaged properties above 2 units, a 5% vacancy rate would generate approximately \$92,000 in additional revenue.

**Figure 1: All Multi-Unit Dwelling Units in the Town of Natick**

MDU (# of units)	Average /unit	Total collected/year	Avg./unit /yr.	Accounts	5%	Cumulative
2	\$ 757	\$ 2,421,322	\$ 345,903	457	\$18,205.43	\$18,205.43
3	\$ 1,043	\$ 599,146	\$ 85,592	82	\$4,504.86	\$22,710.29
4	\$ 1,278	\$ 320,898	\$ 45,843	36	\$2,412.76	\$25,123.05
5	\$ 902	\$ 27,422	\$ 3,917	4	\$206.18	\$25,329.23
6	\$ 2,448	\$ 384,997	\$ 55,000	22	\$2,894.71	\$28,223.94
7	\$ 2,270	\$ 49,550	\$ 7,079	3	\$372.56	\$28,596.50
8	\$ 2,907	\$ 614,906	\$ 87,844	30	\$4,623.36	\$33,219.86
11	\$ 1,331	\$ 12,226	\$ 1,747	1	\$91.93	\$33,311.78
12	\$ 2,067	\$ 112,156	\$ 16,022	8	\$843.28	\$34,155.06
15	\$ 24,940	\$ 251,465	\$ 35,924	1	\$1,890.71	\$36,045.77
18	\$ 1,655	\$ 10,758	\$ 1,537	1	\$80.89	\$36,126.66
20	\$ 7,071	\$ 491,340	\$ 70,191	10	\$3,694.29	\$39,820.95
21	\$ 3,090	\$ 44,803	\$ 6,400	2	\$336.87	\$40,157.81
23	\$ 1,785	\$ 16,066	\$ 2,295	1	\$120.80	\$40,278.61
24	\$ 6,106	\$ 1,067,027	\$ 152,432	25	\$8,022.76	\$48,301.37
26	\$ 2,517	\$ 1,549,066	\$ 221,295	88	\$11,647.11	\$59,948.48
36	\$ 3,226	\$ 34,683	\$ 4,955	2	\$260.77	\$60,209.25
44	\$ 6,405	\$ 89,675	\$ 12,811	2	\$674.25	\$60,883.50
45	\$ 7,704	\$ 104,007	\$ 14,858	2	\$782.01	\$61,665.51
52	\$ 16,995	\$ 229,434	\$ 32,776	2	\$1,725.07	\$63,390.58
59	\$ 14,747	\$ 429,916	\$ 61,417	4	\$3,232.45	\$66,623.03
72	\$ 7,448	\$ 201,109	\$ 28,730	4	\$1,512.10	\$68,135.13
74	\$ 18,440	\$ 258,156	\$ 36,879	2	\$1,941.02	\$70,076.15
83	\$ 13,723	\$ 192,127	\$ 27,447	2	\$1,444.56	\$71,520.71
88	\$ 9,978	\$ 29,933	\$ 4,276	0	\$225.06	\$71,745.77
92	\$ 7,877	\$ 31,507	\$ 4,501	1	\$236.90	\$71,982.67
184	\$ 18,682	\$ 210,169	\$ 30,024	2	\$1,580.22	\$73,562.89
215	\$ 47,720	\$ 214,741	\$ 30,677	1	\$1,614.60	\$75,177.48
318	\$ 44,133	\$ 617,861	\$ 88,266	2	\$4,645.57	\$79,823.05
334	\$ 48,341	\$ 676,774	\$ 96,682	2	\$5,088.53	\$84,911.58
354	\$ 69,828	\$ 977,598	\$ 139,657	2	\$7,350.36	\$92,261.94
<b>Total</b>				<b>801</b>	<b>\$ 92,262</b>	

**\$30,596**

However, it was raised through citizen concerns that smaller units which may be averaged may not indeed have the same degree of vacancy that larger developments have. The 5% vacancy rate as proposed last meeting is based upon the actual vacancies in larger complexes as reported by the Assessor’s Office. However, it is difficult to validate the vacancy rate in smaller units due to their lack of comparability and unique characteristics.

Therefore, we believe that a more reasonable proposal is to implement a vacancy rate factor for larger complexes above 50 units. This would generate approximately \$30,600 in additional revenue, down from the original \$80,000 proposal. However, it is a more appropriate and reasoned approach to implementing a vacancy rate than trying to apply it to all averaged /multi-unit developments.

As you can see from the attached documents, this lowers the estimated surplus generated for FY 2014 to approximately \$194,000. Although \$50,000 lower than the original proposal, the combined increase of rates and implementation of a market-based vacancy rate should generate sufficient retained earnings to properly provide the recommended level of retained earnings by the end of Fiscal Year 2014.

**Recommendation:**

We recommend that the Water and Sewer Commissioners adopt the following:

- 1) A 3.5% increase in water and sewer rates on all rate blocks (as detailed on page 5 of the memorandum) effective July 1, 2013.**
- 2) Direct staff to implement a vacancy rate on all multi-unit developments larger than 50 units of 5 % effective July 1, 2013.**

Staff will be available to answer any questions you may have.



# Town of Natick

Water/Sewer Rates - FY 2014 (Proposed)  
3.5% Rate Increase

## Option: 3.5% Rate Increase

### Summary

This option proposes a 3.5% rate increase on all tiers and rate categories. It leaves the current rate structure - complete with all connection fees, and tiering otherwise the same. It also adds a vacancy rate to averaged multi-unit developments of 5%.

This option covers all anticipated costs of the Water & Sewer Enterprise Fund, and will build Retained Earnings.

### Summary of Budgeted Expenditures & Revenues

	FY13	FY14	FY13 - FY14 \$ Difference	FY13 - FY14 % Change
<b>Revenue Summary</b>				
<b>Water &amp; Sewer Fees</b>	<b>12,143,096</b>	<b>12,502,396</b>	<b>359,300</b>	<b>2.96%</b>
Connection Fees	114,290	70,000	(44,290)	-38.75%
Investment Income	25,000	20,000	(5,000)	-20.00%
Betterments				
Misc. Fees	1,120,000	1,100,000	(20,000)	-1.79%
Revenue from Liens				
I&I Funds	39,369		(39,369)	-100.00%
Water & Sewer Retained Earnings	1,291,746	147,000	(1,144,746)	-88.62%
<b>TOTAL WATER &amp; SEWER RECEIPTS</b>	<b>\$ 14,733,501</b>	<b>\$ 13,839,396</b>	<b>(894,105)</b>	<b>-6.07%</b>
<b>Expenditure Summary</b>				
	FY12	FY13	FY12 - FY13 \$ Difference	FY12 - FY13 % Change
Operational Budget	8,031,693	8,209,329	177,636	2.21%
Insurance	452,634	466,879	14,245	3.15%
Pension	199,959	215,955	15,996	8.00%
Debt & Interest	2,096,702	2,082,138	(14,564)	-0.69%
In-Kind Services (Indirects)	2,581,514	2,323,579	(257,935)	-9.99%
Reserve	200,000	200,000	-	0.00%
Capital Improvements	1,171,000	147,000	(1,024,000)	-87.45%
<b>TOTAL WATER &amp; SEWER EXPENDITURES</b>	<b>\$ 14,733,501</b>	<b>\$ 13,644,879</b>	<b>(1,088,622)</b>	<b>-7.39%</b>
<b>NET EXCESS / (DEFICIT)</b>	<b>\$ 0</b>	<b>\$ 194,517</b>		



# Town of Natick

Water/Sewer Rates - FY 2014 (Proposed)  
3.5% Rate Increase

## Rate Changes

This page shows comparative rates between FY 2013 and 2014 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 2013</u>		<u>FY 2014</u>	
0-10	Water \$ 1.55	0-10	Water \$ 1.60
	Sewer \$ 4.15		Sewer \$ 4.30
11-20	Water \$ 2.36	11-20	Water \$ 2.44
	Sewer \$ 7.40		Sewer \$ 7.66
21-40	Water \$ 3.49	21-40	Water \$ 3.61
	Sewer \$ 12.23		Sewer \$ 12.66
40+	Water \$ 5.42	40+	Water \$ 5.61
	Sewer \$ 12.23		Sewer \$ 12.66

### Combined Elderly Rates

<u>FY 2013</u>		<u>FY 2014</u>	
0-10	Water \$ -	0-10	Water \$ -
	Sewer \$ -		Sewer \$ -
11-20	Water \$ -	11-20	Water \$ -
	Sewer \$ -		Sewer \$ -
21-40	Water \$ 2.62	21-40	Water \$ 2.71
	Sewer \$ 9.17		Sewer \$ 9.49
40+	Water \$ 4.07	40+	Water \$ 4.21
	Sewer \$ 9.17		Sewer \$ 9.49

### Water Only Rates

<u>FY 2013</u>		<u>FY 2014</u>	
0-10	Water \$ 1.55	0-10	Water \$ 1.60
11-20	Water \$ 2.36	11-20	Water \$ 2.44
21-40	Water \$ 3.49	21-40	Water \$ 3.61
40+	Water \$ 8.77	40+	Water \$ 9.08

### Elderly Water Only

<u>FY 2013</u>		<u>FY 2014</u>	
0-10	Water \$ -	0-10	Water \$ -
11-20	Water \$ -	11-20	Water \$ -
21-40	Water \$ 2.62	21-40	Water \$ 2.71
40+	Water \$ 4.07	40+	Water \$ 4.21

### Irrigation Rates

<u>FY 2013</u>		<u>FY 2014</u>	
0-10	Water \$ 2.75	0-10	Water \$ 2.85
11-20	Water \$ 5.36	11-20	Water \$ 5.55
21-40	Water \$ 7.16	21-40	Water \$ 7.41
40+	Water \$ 8.77	40+	Water \$ 9.08

### Sewer Only Rates

<u>FY 2013</u>		<u>FY 2014</u>	
0-10	Sewer \$ 4.15	0-10	Sewer \$ 4.30
11-20	Sewer \$ 7.40	11-20	Sewer \$ 7.66
20+	Sewer \$ 12.23	20+	Sewer \$ 12.66



# Town of Natick

Water/Sewer Rates - FY 2014 (Proposed)  
3.5% Rate Increase

## Sample Bills & Increases by Rate Type

The next two pages show current rates and proposed rates between FY 2013 and FY 2014 with a comparative % column to the far right.

Current Rates			Proposed FY 2014 Rates			%
Standard Water and Sewer User			Standard Water and Sewer User			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ 33.50	\$ 134.00	5	\$ 34.50	\$ 137.99	3.0%
20	\$ 159.60	\$ 638.40	20	\$ 165.01	\$ 660.04	3.4%
40	\$ 474.00	\$ 1,896.00	40	\$ 490.42	\$ 1,961.66	3.5%
75	\$ 1,091.75	\$ 4,367.00	75	\$ 1,129.79	\$ 4,519.15	3.5%
120	\$ 1,886.00	\$ 7,544.00	120	\$ 1,951.84	\$ 7,807.34	3.5%
Water Only User			Water Only User			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ 12.75	\$ 47.60	5	\$ 13.02	\$ 52.09	2.1%
20	\$ 44.10	\$ 163.20	20	\$ 45.47	\$ 181.87	3.1%
40	\$ 113.90	\$ 423.20	40	\$ 117.71	\$ 470.85	3.3%
75	\$ 420.85	\$ 1,564.20	75	\$ 435.40	\$ 1,741.62	3.5%
120	\$ 815.50	\$ 3,031.20	120	\$ 843.87	\$ 3,375.47	3.5%
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	\$ 235.80	\$ 943.20	40	\$ 244.05	\$ 976.21	3.5%
75	\$ 699.11	\$ 2,796.45	75	\$ 723.58	\$ 2,894.33	3.5%
120	\$ 1,294.80	\$ 5,179.20	120	\$ 1,340.12	\$ 5,360.47	3.5%
Irrigation User			Irrigation User			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ 18.75	\$ 70.00	5	\$ 19.23	\$ 76.93	2.6%
20	\$ 86.10	\$ 320.00	20	\$ 88.94	\$ 355.75	3.3%
40	\$ 229.30	\$ 852.00	40	\$ 237.15	\$ 948.60	3.4%
75	\$ 536.25	\$ 1,993.00	75	\$ 554.84	\$ 2,219.38	3.5%
120	\$ 930.90	\$ 3,460.00	120	\$ 963.31	\$ 3,853.23	3.5%



# Town of Natick

Water/Sewer Rates - FY 2014 (Proposed)

3.5% Rate Increase

## Sample Bills & Increases by Rate Type - Combined Water & Sewer Rates

This chart shows in detail the different costs by use for the most common user of Water & Sewer services in the Town of Natick. It is designed to illustrate what the effect will be if you adopt this rate option.

Usage	Fiscal Year		Difference	
	2012	2013	\$	%
0	\$ 5.00	\$ 5.00	\$ -	0.0%
1	\$ 10.70	\$ 10.90	\$ 0.20	1.9%
2	\$ 16.40	\$ 16.80	\$ 0.40	2.4%
3	\$ 22.10	\$ 22.70	\$ 0.60	2.7%
4	\$ 27.80	\$ 28.60	\$ 0.80	2.9%
5	\$ 33.50	\$ 34.50	\$ 1.00	3.0%
6	\$ 39.20	\$ 40.40	\$ 1.20	3.1%
7	\$ 44.90	\$ 46.30	\$ 1.40	3.1%
8	\$ 50.60	\$ 52.20	\$ 1.60	3.2%
9	\$ 56.30	\$ 58.10	\$ 1.80	3.2%
10	\$ 62.00	\$ 64.00	\$ 2.00	3.2%
11	\$ 71.76	\$ 74.10	\$ 2.34	3.3%
12	\$ 81.52	\$ 84.20	\$ 2.68	3.3%
13	\$ 91.28	\$ 94.30	\$ 3.02	3.3%
14	\$ 101.04	\$ 104.40	\$ 3.36	3.3%
15	\$ 110.80	\$ 114.50	\$ 3.70	3.3%
16	\$ 120.56	\$ 124.60	\$ 4.04	3.4%
17	\$ 130.32	\$ 134.71	\$ 4.39	3.4%
17.35	\$ 133.74	\$ 138.24	\$ 4.51	3.4% Average User/Quarter after Averaging (FY 2011 & FY 2012)
18	\$ 140.08	\$ 144.81	\$ 4.73	3.4%
19	\$ 149.84	\$ 154.91	\$ 5.07	3.4%
20	\$ 159.60	\$ 165.01	\$ 5.41	3.4%
25	\$ 238.20	\$ 246.36	\$ 8.16	3.4%
25.94	\$ 252.98	\$ 261.66	\$ 8.68	3.4% Historic Average User/Quarter
30	\$ 316.80	\$ 327.71	\$ 10.91	3.4%
35	\$ 395.40	\$ 409.06	\$ 13.66	3.5%
40	\$ 474.00	\$ 490.42	\$ 16.42	3.5%
45	\$ 562.25	\$ 581.75	\$ 19.50	3.5%
50	\$ 650.50	\$ 673.09	\$ 22.59	3.5%
55	\$ 738.75	\$ 764.43	\$ 25.68	3.5%
60	\$ 827.00	\$ 855.77	\$ 28.77	3.5%
65	\$ 915.25	\$ 947.11	\$ 31.86	3.5%
70	\$ 1,003.50	\$ 1,038.45	\$ 34.95	3.5%
75	\$ 1,091.75	\$ 1,129.79	\$ 38.04	3.5%
80	\$ 1,180.00	\$ 1,221.13	\$ 41.13	3.5%
85	\$ 1,268.25	\$ 1,312.46	\$ 44.21	3.5%
90	\$ 1,356.50	\$ 1,403.80	\$ 47.30	3.5%
95	\$ 1,444.75	\$ 1,495.14	\$ 50.39	3.5%
100	\$ 1,533.00	\$ 1,586.48	\$ 53.48	3.5%
105	\$ 1,621.25	\$ 1,677.82	\$ 56.57	3.5%
110	\$ 1,709.50	\$ 1,769.16	\$ 59.66	3.5%
115	\$ 1,797.75	\$ 1,860.50	\$ 62.75	3.5%
120	\$ 1,886.00	\$ 1,951.84	\$ 65.84	3.5%