

Water and Sewer Rate Recommendations for FY 20, FY 21 and FY 22

Presentation to Board of Selectmen

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Water and Wastewater Superintendents

3/25/19

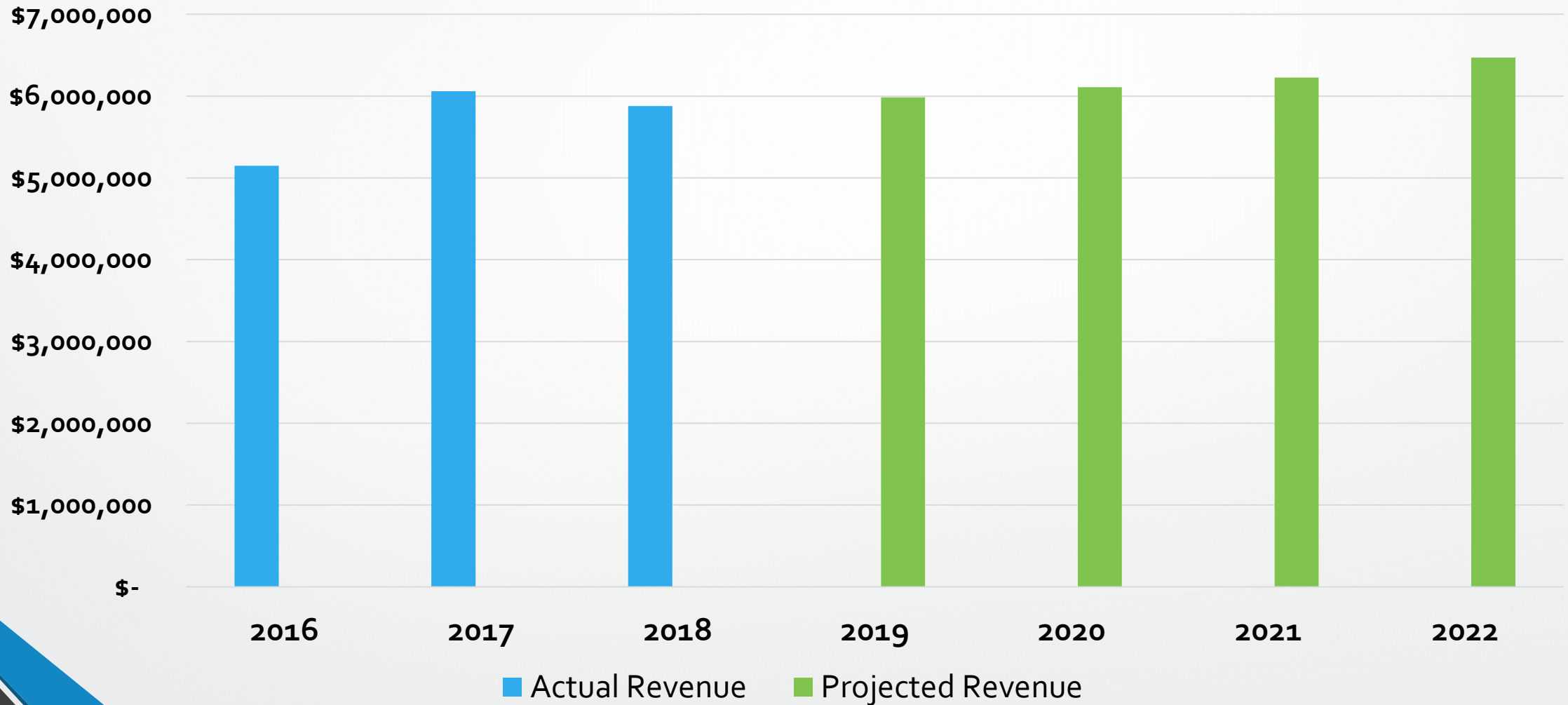
Water and Sewer Rate Overview

- Last rate increase 3 years ago – 17.2% for water and 10% for sewer
- Rates 3 years ago driven by estimated cost impacts of major projects
 - Little Pond Sewer Service Area
 - Long Pond Water Treatment Plant
- Promised to come back to Selectmen once real costs were known.
- Tonight's presentation requests:
 - Gradual Water Rate increase at 2% per year next 3 years.
 - No Sewer Rate increase

Water Rate Increase

- Water Rate should cover direct and indirect operating costs.
- Water Rate should cover \$1,300,000 of the LPWTP debt obligation.
- Current water rates have a revenue shortfall of \$500,000.
- Estimated direct and indirect operating costs three years ago were accurate.
- Proposed 2% per year rate increase should close the revenue gap.

Actual Revenue, and Projected Revenue Under 2% Annual Rate Change for the Next 3 Fiscal Years



Current and Proposed Water Rate (Minimum and Excess) for Standard Residential Water Meter (5/8")

	Minimum Charge			Excess Charge	
	Semi Annual	Annual	% increase	\$/HCF	% increase
Current	\$58.00	\$116.00	NA	\$3.30/HCF	NA
From June 3, 2019 to May 31, 2020	\$59.00	\$118.00	1.72%	\$3.37/HCF	2.00%
From June 1, 2020 to May 30, 2021	\$60.00	\$120.00	1.72%	\$3.43/HCF	2.00%
From May 31, 2021 to June 6, 2022	\$62.00	\$124.00	3.45%	\$3.50/HCF	2.00%

Motion that effective Monday June 3, 2019
the water rate structure shall be as follows:

From June 3, 2019 to May 31, 2020

Meter Size	Semi Annual Billing	Quarterly Annual Billing	% increase
5/8 inch	\$ 59.00		1.72%
3/4 inch	\$ 71.00		1.43%
1.0 Inch	\$ 113.00		1.80%
1-1/2 inch		\$ 99.00	2.06%
2.0 inch		\$ 142.00	2.16%
3.0 inch		\$ 235.00	2.17%
4.0 inch		\$ 282.50	1.99%
6.0 inch		\$ 425.00	2.16%
8.0 inch		\$ 562.50	1.90%

Excess Rate is \$3.37/HCF, a 2.00% increase

From June 1, 2020 to May 30, 2021

Meter Size	Semi Annual Billing	Quarterly Annual Billing	% increase
5/8 inch	\$ 60.00		1.72%
3/4 inch	\$ 73.00		2.86%
1.0 inch	\$ 115.00		1.80%
1-1/2 inch		\$ 101.00	2.06%
2.0 Inch		\$ 144.50	1.80%
3.0 inch		\$ 239.50	1.96%
4.0 inch		\$ 288.00	1.99%
6.0 inch		\$ 433.00	1.92%
8.0 inch		\$ 575.00	2.26%

Excess Rate is \$3.43/HCF, a 2.00% increase

From May 31, 2021 to June 6, 2022

Meter Size	Semi Annual Billing	Quarterly Annual Billing	% increase
5/8 inch	\$ 62.00		3.45%
3/4 inch	\$ 74.00		1.43%
1.0 inch	\$118.00		2.70%
1-1/2 inch		\$ 103.00	2.06%
2.0 inch		\$ 147.50	2.16%
3.0 inch		\$ 244.00	1.96%
4.0 inch		\$ 294.00	2.17%
6.0 inch		\$ 441.50	2.04%
8.0 inch		\$ 589.00	1.99%

Excess Rate is \$3.50/HCF, a 2.00% increase

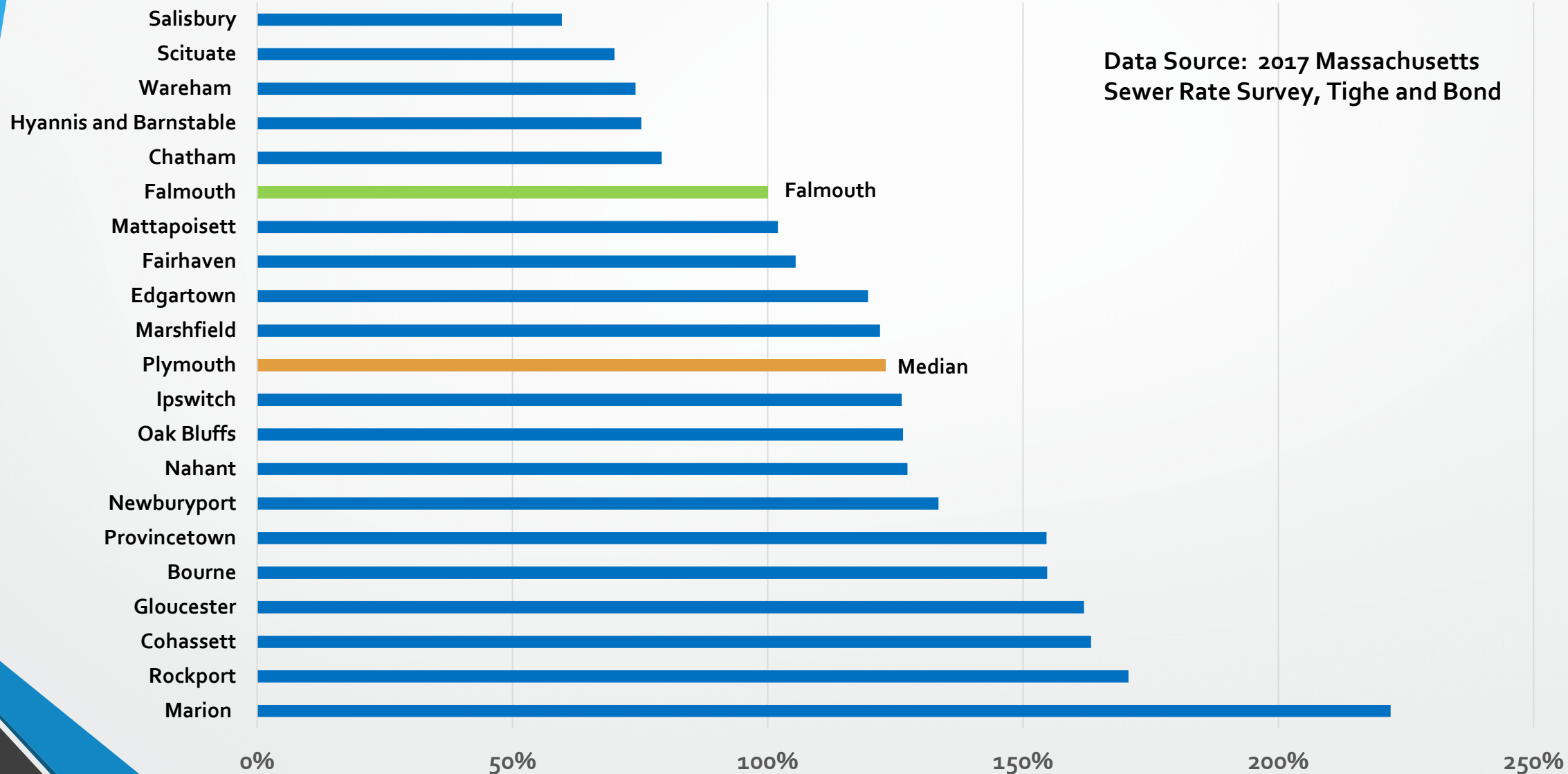
Wastewater Rate Background

- Approximately 1400 property owners have recently been charged for sewer use for the first time for their Little Pond Sewer Service Area (LPSSA) property.
- Because sewer charges are a new expense for LPSSA property owners, and perhaps because the Wastewater Division did not do an adequate job of communicating ahead of time about cost, there has been some concern about the cost of LPSSA sewer bills.
- There are approximately 1000 other existing sewer customers that have been paying according to the same sewer rate structure for many years.

Wastewater Rate Recommendation: No rate change for the next 3 fiscal years

- Wastewater Division's revenue covers its annual operating budget.
 - If sewer rate were decreased, funds would need to be raised elsewhere, or less funding would be available for Town needs.
- Falmouth's sewer rate is a reasonable rate.
 - A typical Falmouth homeowner's annual sewer cost is about **25% less than** the median annual sewer cost among comparable towns (small-medium coastal Massachusetts towns).

Homeowner Sewer Cost in Other Coastal MA Towns Compared to Falmouth Homeowner Sewer Cost (%)



Wastewater Rate Recommendation, Continued

- Maintaining the sewer rate at its current level until FY 23 would grant sewer customers 6 years in a row without a sewer rate increase.
- After switching from TopGun to a new billing system, the Town will be able to change to quarterly billing for all water and sewer accounts.
 - This change would help distribute the cost more evenly over the year.