

## STAFF SUMMARY

**TO:** Board of Directors  
**FROM:** Frederick A. Laskey, Executive Director  
**DATE:** July 2, 2007  
**SUBJECT:** Final FY08 Water and Sewer Assessments

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COMMITTEE: Administration & Finance

VOTE  
 INFORMATION

Leo Norton, Asst. Mgr, Rates, Revenue and Finance  
Preparer/Title

Rachel Madden  
Acting Treasurer

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*At the June 6<sup>th</sup> hearing, a proposed Final FY08 Current Expense Budget (CEB) was presented with a potential rate increase of 6.4%. The budget assumed a statewide appropriation for Debt Service Assistance (DSA) in the amount of \$15 million of which the MWRA share would be \$11.25 million. The budget also assumed no use of rate stabilization reserves in FY08.*

*MWRA staff is now submitting for approval a proposed Final FY08 CEB that represents a 4.5% rate increase. The reduction from the June 6<sup>th</sup> proposal is primarily the result of an increase in DSA of \$6 million and a reduction in total expenses of \$3.3 million (including the reduced Operating Reserve requirements).*

*Based on the latest information available, the proposed Final FY08 CEB now includes a statewide DSA appropriation of \$23 million, with MWRA receiving 75% of this amount, or \$17.25 million.*

### RECOMMENDATION:

To adopt the following effective July 1, 2007:

- 1) Water assessments of \$168,292,702 and sewer assessments of \$349,505,130 for fiscal year 2008 allocated to communities in accordance with *Attachment 1* (Final FY08 Water and Sewer Assessments).
- 2) FY08 sewer assessments of \$500,000 for the Town of Clinton and \$158,293 for the Lancaster Sewer District.
- 3) FY08 charge to the City of Worcester of \$104,264 which represents approximately 7.9% of the direct operating expenses for the Clinton Wastewater Treatment Plant.
- 4) FY08 water assessments of \$2,419,693 for the City of Chicopee, \$536,106 for South Hadley Fire District #1, and \$446,932 for the Town of Wilbraham.
- 5) A wholesale water rate of \$2,398.98 per million gallons.
- 6) A retail sewer rate of \$5,924.16 per million gallons.

**DISCUSSION:**

The proposed Final FY08 Current Expense Budget includes a rate revenue requirement of \$517,797,832, an increase of 4.5% over the FY07 requirement. The proposed final FY08 rate revenue requirement assumes that the MWRA will receive 75% of \$23 million in statewide debt service assistance (\$17.25 million). If MWRA’s share is less than 75%, further action will be required to identify supplemental revenue or additional expense reductions in order to mitigate the impact to ratepayers. Without these actions, a reduction in DSA funding would directly impact community assessments and the wholesale water rate.

	<b>Proposed FY08 Final</b>	<b>FY07 Final</b>	<b>\$ Change from FY07</b>	<b>% Change from FY07</b>
<b>Water</b>	\$168,292,702	\$163,124,954	\$ 5,167,748	3.2%
<b>Sewer</b>	349,505,130	332,233,810	17,271,320	5.2%
<b>Total</b>	\$517,797,832	\$495,358,764	\$22,439,068	4.5%

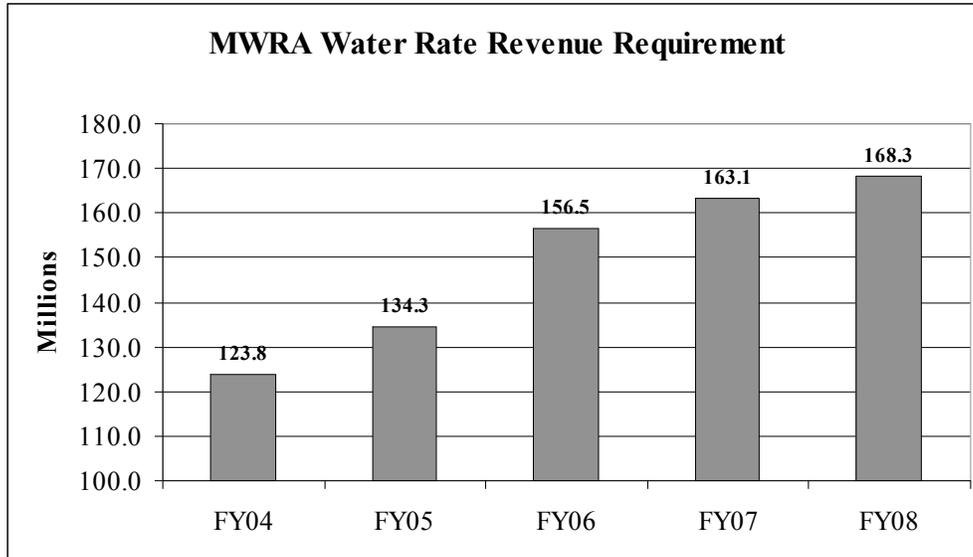
Staff estimate that the average impact of the MWRA portion of the proposed Final FY08 assessment for a household in a fully served MWRA community that uses close to the system average of about 61,000 gallons per year would see an increase of approximately \$22.

Community charges in the MWRA service area vary widely based on local decisions, water usage, and sewer flows. Each community has its own strategies and policies with respect to water and sewer revenue matters. Strictly local decisions must be made about rate structures, use of rate stabilization funds, enterprise fund accounting and policies, and recovery of revenues to meet local system needs, among other matters. These household estimates, therefore, do not reflect the actual retail rates adopted by individual communities.

**Water Assessments**

MWRA calculates water assessments for customer communities by apportioning the water rate revenue requirement according to each community’s share of total water use for the most recent calendar year. Proposed Final FY08 assessments are based on each community's share of CY06 water use of 70.2 billion gallons (CY05 revised usage was 73.2 billion gallons). Changes in proposed Final FY08 water assessments for customer communities compared to FY07 assessments vary considerably, depending on each community's use of water and how that use factors into their share of the water system in CY06 compared to CY05. This is particularly true for communities that receive only part of their water from MWRA.

Proposed Final FY08 water assessments also include a \$469,000 credit for the Boston Water and Sewer Commission due to an assessment adjustment required for FY07. This adjustment is the result of water meter over-registration in CY05. Offsetting adjustments range from \$909 for the City of Lynn to \$37,616 for the City of Quincy and are being applied to the FY08 assessment as well. A separate staff summary was presented on June 6, 2007 that detailed this meter data adjustment along with the corresponding assessment adjustments for each community.

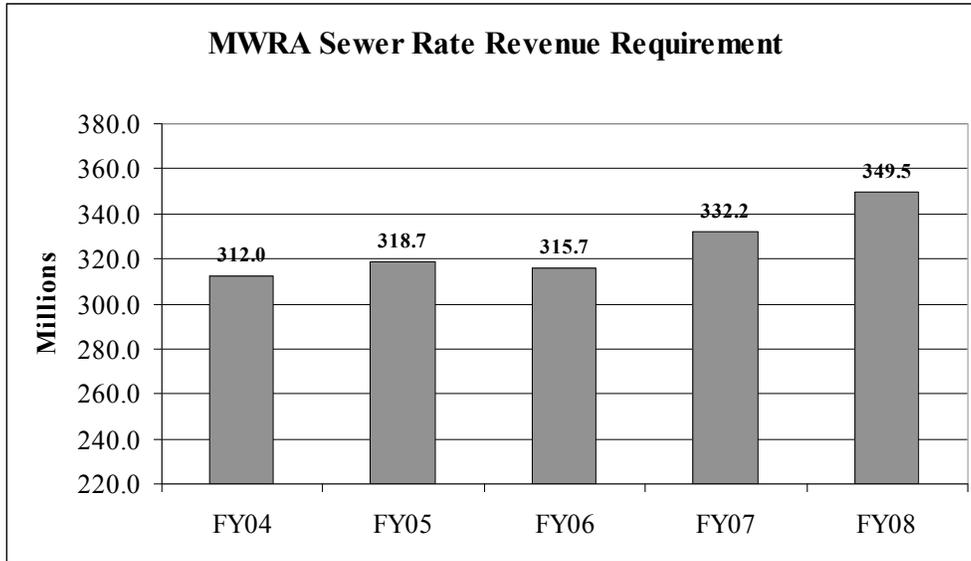


### **Sewer Assessments**

MWRA began using wastewater flow averaging in FY01. As a result, proposed Final FY08 assessments use the average of CY04, CY05, and CY06 wastewater flows. Flow averaging smoothes year-to-year fluctuations in community assessments resulting from variations in annual precipitation and local sewer conditions. In addition, MWRA’s wastewater metering replacement project commenced in March 2004, and was completed in March 2005. In accordance with the Project Implementation and Rates Adjustment Policy approved by the Board in February 2004, flow data for the months of March 2004 to March 2005 are based on the average of the prior three years (i.e.: March 2004 flows represent the average of March 2001, 2002 and 2003).

Following the replacement of MWRA’s wastewater metering system and ongoing QA/QC of meter data, staff have identified data issues with several meters resulting in flow adjustments for CY05, and corresponding FY07 assessment adjustments for all 43 sewer communities in the MWRA service area. While the majority of these adjustments are in the range of +/- \$2,000, some are as low as -\$34,000 and as high as \$38,000. A separate staff summary was presented in March that detailed the meter data adjustments along with the corresponding assessment adjustments for each community.

Other factors influencing proposed Final FY08 sewer assessments include the proposed Final FY08 sewer rate revenue increase and changes in total population and sewer population for each community.



**Clinton Sewer Service Area Assessments**

Proposed Final FY08 operating and maintenance (O&M) and capital expenses for the Clinton Wastewater Treatment Plant (WWTP) are \$1,837,628, an increase of 13.2% over FY07 expenses. In accordance with MWRA’s Clinton Sewer Service Area rate methodology adopted in 1991, the City of Worcester is charged approximately 7.9% of the direct operating expenses for the Clinton WWTP. Proposed Final FY08 direct operating expenses for the plant total \$1,317,965, resulting in an FY08 charge of \$104,264 for the City of Worcester. Worcester has been paying this annual charge to MWRA or its predecessors since 1914.

The Town of Clinton and the Lancaster Sewer District are allocated proportional shares of the remaining expenses based on annual metered wastewater flow to the Clinton WWTP. Based on proposed Final FY08 expenses and CY06 wastewater flows, proposed Final FY08 assessments are \$158,293 for the Lancaster Sewer District and \$1,575,070 for the Town of Clinton. However, pursuant to Chapter 307, Section 8 of the Acts of 1987, Clinton is only liable for the first \$500,000 of its share of O&M and capital costs. *Attachment 2* details the expenses and corresponding assessments and charges for the Clinton Sewer Service Area.

**CVA Water Assessments**

Based on the Final FY08 CIP and proposed Final CEB for the Chicopee Valley Aqueduct (CVA) system, the proposed Final FY08 system assessment is \$3,402,731, a decrease of 4.9% from FY07 assessments. The primary reason for the decrease is estimated versus actual construction costs for the Chicopee Valley Aqueduct Redundancy project. The proposed Final FY08 assessment also includes prior period adjustments for operating (FY04-FY06) and capital (FY06) expenses that were lower than budgeted. MWRA’s CVA water assessment methodology allocates CVA assessments to the three communities served by the CVA system based on their share of prior calendar year water use. Based on CY06 water use, proposed Final FY08

assessments are \$2,419,693 for the City of Chicopee, \$536,106 for South Hadley Fire District #1, and \$446,932 for the Town of Wilbraham.

### **Wholesale Water Rate**

MWRA's wholesale water rate per million gallons is applied to customers purchasing MWRA water on a pay-as-you-go basis (including customers with emergency agreements). Examples include the Department of Conservation and Recreation, the Walter E. Fernald State School, and Westborough State Hospital. The proposed Final FY08 wholesale water rate is \$2,398.98 per million gallons.

### **Retail Sewer Rate**

In accordance with MWRA Policy #OP.11, Admission of New Community to MWRA Sewer System and Other Requests for Sewer Service to Locations Outside MWRA Sewer Service Area, both Regis College in Weston and the New England Center for Children in Southborough are charged a modified per million gallon rate that captures both sanitary and non-sanitary flows. Based on proposed Final FY08 sewer assessments, the FY08 retail sewer rate is \$5,924.16 per million gallons.

### **ATTACHMENTS:**

1. Proposed Final FY08 Water and Sewer Assessments
2. Schedule of FY08 Sewer User Charges for the Clinton Sewer Service Area