



Watertown City Council

Administration Building
149 Main Street
Watertown, MA 02472
Phone: 617-972-6470

ELECTED OFFICIALS:

Mark S. Sideris,
Council President

Vincent J. Piccirilli, Jr.,
Vice President &
District C Councilor

John M. Airasian,
Councilor At Large

Caroline Bays,
Councilor At Large

John G. Gannon,
Councilor At Large

Anthony Palomba,
Councilor At Large

Nicole Gardner,
District A Councilor

Lisa J. Feltner,
District B Councilor

Emily Izzo,
District D Councilor

COMMITTEE OF THE BUDGET AND FISCAL OVERSIGHT MEETING

MONDAY, MARCH 21, 2022 AT 7:00 PM

RICHARD E. MASTRANGELO COUNCIL CHAMBER

AGENDA

1. Call to Order
2. Roll Call
3. Purpose
 - A. Increase in the Base of the Retiree COLA
 - B. Review of the Water and Sewer Rate Study
 - C. Set Priorities for Federal Funds from the American Rescue Plan Act
4. Adjournment

CC: Thomas Tracy - Acting City Manager
Steven Magoon - Acting Deputy City Manager
Gregory St. Louis - DPW Superintendent



Watertown Contributory Retirement Board

Administration Building
149 MAIN STREET
WATERTOWN, MA 02472
TEL (617) 972-6456 - FAX (617) 923-3531
www.watertownretirement.com

THOMAS V. THIBAUT, JR., Chairman
THOMAS J. TRACY, Ex-Officio

DOMENIC ARONE, Elected Member
JOHN T. LOUGHRAN, Appointed Member
KATHLEEN KIELY-BECCHETTI, Fifth Member

January 20, 2022

Watertown City Council
Administration Building
Watertown, MA 02472

RE: Increase to Base of Retiree Cost of Living Adjustment

Dear Honorable Council Members:

At the most recent Watertown Retirement Board (Board) meeting held on January 18, 2022 the Board discussed the current retiree cost of living adjustment (COLA) which is currently 3% of \$13,000 (max of \$390 per year per retiree). In attendance at this meeting was all of the Board members as well as Michael J. Driscoll, City Manager and the Board's Actuary Dan Sherman. We discussed our current funding schedule, current funding status, as well as the Board's significant Return on Investments for the last three calendar years.

After discussion with the City Manager, the Watertown Retirement Board (Board) respectfully requests approval by the City Council to increase the base amount upon which a retiree's cost of living adjustment (COLA) can be calculated, from its current maximum of 3% of \$13,000, last approved in 2015, to 3% of \$14,000. After review of the social and financial impact of such action, and after consultation with its actuary, the Board unanimously supports this proposed increase.

Additionally, it was agreed that the Board would determine if certain financial indicators were met each year prior to considering or requesting future Retiree COLA base increases. The City Manager participated in this discussion and believed it to be a prudent approach in working collaboratively with the City Council, Retirement Board and City Manager in accordance with the City Council's Ongoing Budget Policy Guideline 1C.

Therefore, the Board respectfully requests that the Honorable City Council vote to allow the increase COLA base from 3% of \$13,000 (max \$390 per year per retiree) to 3% of \$14,000 (max \$420 per year per retiree).

Retiree COLA History

Chapter 17 of the Acts of 1997 changed the way in which COLAs were granted to retirees, which previously required an act of the Legislature. Because of the enactment of Proposition 2½, which prohibited state mandated costs upon municipalities, from 1982 to 1997 reimbursement to each retirement board from the State Retirement System was required.

The law was changed so that each retirement system would pay for the COLAs that were granted by the retirement board. The Public Employee Retirement Administration Commission (PERAC) annually reports the COLA as determined for benefit recipients by the Social Security Administration, which is based upon the Consumer Price Index (5.9% for 2022). The retiree COLA would be based upon that amount, or three percent (3%), whichever was less, as applied to the first \$12,000 of a retiree's allowance, or \$360 annually. The changes, incorporated into Section 103 of Chapter 32, were subject to local acceptance, and accepted by the City Council Meeting.

Subsequently, Section 51 of Chapter 127 of the Acts of 1999 was enacted, again subject to local acceptance, which allowed for retirement boards to grant a COLA up to 3% of the first \$12,000 of benefits.

Chapter 188 of the Acts of 2010 was enacted to allow a local option to increase the \$12,000 base amount of the retiree COLA. Section 103(j) of Massachusetts General Laws Chapter 32 provides authority to municipalities and retirement boards to increase the COLA base in increments of \$1,000, for members and surviving spouses of members of the retirement system receiving retirement allowances on June 30th of the prior fiscal year.

With the approval of the Board and the City Council, the COLA base was increased to \$13,000 effective July 1, 2015, where it remains today. Acceptance of this new COLA option, as is the case with previous COLA enactments, is irrevocable.

Social and Financial Impact

The Board has noted with some concern that inflation is on the rise. Costs for energy, food, housing, and medical treatment have steadily increased while the economy strives to recover from the pandemic. Inflationary increases impact our retirees significantly. As noted above, based on the CPI increase, Social Security recipients have received a 5.9% COLA as of January 2022, an increase which is based in the full amount of the Social Security. The average Social Security benefit in Massachusetts is now \$19,000 a year, and the Social Security COLA is uncapped.

The current retirement COLA has been factored into the System's funding schedule, which will be revised upon approval of 3% COLA on the first \$14,000 of benefits. Such increase will have no financial impact on the System's funding. The Board voted to reduce the System's assumed rate of investment return to 7.75%, which also will have no impact on the System's funding. The Board will continue to review all of the actuarial assumptions on an annual basis.

The System's investments have been successful in the long term; the System's funding is on solid ground and is fiscally sustainable. The Board firmly believes that under all of these circumstances, it is reasonable and appropriate to increase the retiree COLA base to \$14,000 as of July 1, 2022. It is respectfully requested that the City Council act favorably on this request.

Sincerely,



Thomas V. Thibaut, Jr., Chairman

cc: Michael J. Driscoll, City Manager



Michael J. Driscoll
Town Manager

TOWN OF
WATERTOWN
Office of the Town Manager

Administration Building
149 Main Street
Watertown, MA 02472
Phone: 617-972-6465
www.watertown-ma.gov
townmgr@watertown-ma.gov

To: Honorable Town Council

From: Michael J. Driscoll, Town Manager

Date: July 9, 2020

RE: Agenda Item – Informational Presentation

As you know, the attached Water and Sewer Rate Study and the Fiscal Year 2021 Water and Sewer budget sheets were forwarded to you on June 24th by Thomas J. Tracy, Town Auditor/Assistant Town Manager for Finance.

As a follow-up, attached please find correspondence from Jesse L. Myott, Director of Administration and Finance, Department of Public Works respectfully requesting an Informational Presentation on the recently completed Water and Sewer Rate Study and the Proposed Fiscal Year 2021 Water and Sewer Rates be placed on the July 14th Town Council Agenda.

Given all of the above, I respectfully request this Informational Presentation be placed on the July 14, 2020 Town Council Agenda. The Informational Presentation would be given by Margaret McCarthy, Weston & Sampson and Matt Abrahams, Abrahams Group. Subsequent to the Informational Presentation, I respectfully request a referral of the Water and Sewer Rate Study to the Committee and Fiscal Oversight for their review of Fiscal Year 2022 Water and Sewer Rates and beyond.

Thank you for your consideration in this matter.

cc: Jesse L. Myott, Director of Administration and Finance, Department of Public Works
Thomas J. Tracy, Town Auditor/Assistant Town Manager for Finance
Steven Magoon, Director of Community Development and Planning/Assistant Town Manager
Katherine Morrison, Assistant Treasurer/Collector
Sharon Gallagher, Assistant Town Auditor

Hand, JoAnna

From: Driscoll, Michael
Sent: Thursday, July 9, 2020 7:39 AM
To: Hand, JoAnna
Subject: Emailing: Water and Sewer Rate Study, FY 21 Water and Sewer Budget sheets
Attachments: Water and Sewer Rate Study.pdf; FY 21 Water and Sewer Budget sheets.pdf

-----Original Message-----

From: Tracy, Thomas
Sent: Wednesday, June 24, 2020 2:02 PM
To: Bays, Caroline <cbays@watertown-ma.gov>; Donato, Anthony <adonato@watertown-ma.gov>; Gannon, John <jgannon@watertown-ma.gov>; Kounelis, Angeline <akounelis@watertown-ma.gov>; Lisa Feltner <lfeltner@watertown-ma.gov>; Palomba, Anthony <apalomba@watertown-ma.gov>; Piccirilli, Vincent J <vpiccirilli@watertown-ma.gov>; Pronovost, Marilyn <mpronovost@watertown-ma.gov>; Sideris, Mark <msideris@watertown-ma.gov>; Woodland, Kenneth <kwoodland@watertown-ma.gov>
Cc: Driscoll, Michael <mdriscoll@watertown-ma.gov>; Myott, Jesse <jmyott@watertown-ma.gov>; Magoon, Steven <smagoon@watertown-ma.gov>; Morrison, Katherine <kmorrison@watertown-ma.gov>; Gallagher, Sharon <sgallagher@watertown-ma.gov>
Subject: Emailing: Water and Sewer Rate Study, FY 21 Water and Sewer Budget sheets

Councilors,

Attached are the FY 21 Water and Sewer Budget sheets as well as recently completed independent study of the Water and Sewer system conducted by Western & Sampson/The Abrahams Group.

The contractors will formal present their report at an upcoming Town Council meeting as part of the FY 21 Water and Sewer rates discussion. Given the future impact and other considerations contained within the report, I would respectfully request that this report be referred to the Budget and Fiscal Oversight (BFO) for discussion as it relates to FY 22 and beyond.

Please contact me if you have any questions.

Thanks

Tom

Your message is ready to be sent with the following file or link attachments:

Water and Sewer Rate Study
FY 21 Water and Sewer Budget sheets

Note: To protect against computer viruses, e-mail programs may prevent sending or receiving certain types of file attachments. Check your e-mail security settings to determine how attachments are handled.

MEMORANDUM

TO: Jesse Myott, Director of Administration and Finance for the Department of Public Works,
Town of Watertown

FROM: Matthew Abrahams (The Abrahams Group), Margaret McCarthy, PE (Weston &
Sampson)

DATE: June 19, 2020

SUBJECT: Water and Sewer Rate Study 2020

In October 2019, the Town of Watertown hired Weston & Sampson to complete a Water and Sewer Rate Analysis. In conjunction with the Abrahams Group we are pleased to present the following memorandum summarizing the analysis. This study was performed to provide the Town with rate increases that will generate sufficient revenue to fund the operational costs, indirect costs, debt service costs, and short-term and long-term capital improvements.

Background

The Town of Watertown consists of primarily urban commercial and residential development with a population of approximately 32,000, according to the 2010 U.S. Census. The Water and Sewer Department through its Department of Public Works ("DPW"), provides services to approximately 9,500 commercial, residential, industrial, and institutional accounts.

The Water and Sewer Department is responsible for providing its users with drinking water and sewage collection and conveyance in a cost-effective and environmentally friendly manner that meets EPA and DEP standards.

Water Utility

The Town is a member community of the Massachusetts Water Resource Authority ("MWRA"), and the MWRA supplies water to the Town, with an average daily demand of 2.6 million gallons per day per the Water System Analysis and Capital Improvement Plan dated March 9, 2015. The water is then conveyed to its residents through the Town's 76 miles of water distribution mains.

Sewer Utility

The Town's sewer system consists of approximately 76 miles of the sewer with an average daily flow of 3 million gallons per day per the Sewer Collection System Capital Improvement Plan dated December 2017, which transports the wastewater to the MWRA interceptors.

Existing Rate Structure and Charges

The Town's water and sewer rates are based on a multi-tier rate structure in which the rate per 100 cubic feet of water increases with consumption. All 9,500 plus accounts, residential, commercial and irrigation are billed quarterly (every three months).

The Town currently has an inclining, three-tier structure for non-irrigation water consumption and sewer flow and a flat fee for irrigation water consumption, as well as meter and fire protection charges. Tables 1 through 3 show the current charges for fiscal year 2020.

Table 1 – FY 2020 Water and Sewer Rates (Effective July 1, 2019)			
Tier	Consumption	Water Rate (per 100 cubic feet)	Sewer Rate (per 100 cubic feet)
1	0-3,000 cu ft	\$4.66	\$8.95
2	3,001-30,000 cu ft	\$7.24	\$11.56
3	Over 30,000 cu ft	\$11.43	\$15.48
Irrigation	All	\$11.43	N/A

Table 2 – FY 2020 Meter Service Charges (Effective July 1, 2019)	
Meter Size (inches)	Rates/quarter
5/8	\$7.14
3/4	\$7.60
1	\$8.97
1 1/4	\$10.79
1 1/2	\$10.79
2	\$15.77
3	\$52.49
4	\$66.08
6	\$97.83

Table 3 – FY 2020 Fire Service Charges (Effective July 1, 2019)	
Service Size (inches)	Rates
2	\$10.40
3	\$36.42
4	\$72.83
6	\$213.28
8	\$452.57
10	\$816.70

Comparison to Neighboring Communities

The Town's current water and sewer rates are lower for certain users than neighboring communities' rates. Weston & Sampson, per the request of the Town, compared water & sewer rates to rates in the Town of Arlington, the Town of Belmont, and the City of Waltham. These communities are MWRA-served communities. Table 4 below contains a comparison of water and sewer rates by tier, and Table 5 below compares the meter service charges based on water meter sizes.

Table 4 – Water & Sewer Rates Comparison to Neighboring Communities													
Community	Tier 1			Tier 2			Tier 3			Tier 4			Irrigation
	*Water	*Sewer	Usage (cu. ft.)	*Water	*Sewer	Usage (cu. ft.)	*Water	*Sewer	Usage (cu. ft.)	*Water	*Sewer	Usage (cu. ft.)	*Water
Watertown (per quarter)	\$4.66	\$8.95	0-3,000	\$7.24	\$11.56	3,001-30,000	\$11.43	\$15.48	Over 30,000	-	-	-	\$11.43
Arlington (per quarter)	\$5.36	\$6.42	0-15,000	\$5.73	\$6.85	16,000-30,000	\$6.96	\$8.31	Over 30,000	-	-	-	-
Belmont (per quarter)	\$6.62	\$12.91	0-30,000	\$7.59	\$12.91	Over 30,000	-	-	-	-	-	-	\$7.97
Waltham (per month)	\$3.07	\$5.46	0-700	\$4.15	\$7.13	701-1,500	\$6.65	\$10.76	1,501-4,000	\$8.89	\$13.01	Over 4,000	-

*Rates per 100 cubic ft (cu. ft.)

Table 5 – Quarterly Meter Service Charges by Town				
Meter Size (Inches)	Watertown (FY 2020)	Arlington (FY 2020)	Belmont (Water) (FY 2019)	Belmont (Sewer) (FY 2019)
5/8	\$7.14	\$13.42	\$20.87	\$18.25
3/4	\$7.60	\$14.45	\$20.87	\$19.55
1	\$8.97	\$17.52	\$22.36	\$21.58
1 -1/4	\$10.79	N/A	N/A	N/A
1 -1/2	\$10.79	\$21.61	\$27.40	\$28.39
2	\$15.77	\$32.87	\$30.33	\$32.40
3	\$52.49	\$115.69	\$32.08	\$34.74
4	\$66.08	\$146.38	\$51.54	\$61.08
6	\$97.83	\$217.97	\$68.55	\$84.15
8	N/A	\$299.79	\$90.43	\$113.79

Existing Expenses and Revenues

Despite consumption projections showing an increase in consumption in FY 2020, when compared to FY 2019's consumption, FY 2020 projections show a deficit of \$262,914 for water and \$645,868 for sewer. These projections assume the FY 2020 water and sewer budgets will not be fully expended and will have \$250,000 each in expenditure turnbacks, based on cost-saving measures implemented in Q4 of FY 2020 due to COVID-19. FY 2020 deficits will need to be provided for. Assuming retained earnings are used to provide for the deficits, based on the FY 2020 projections, available retained earnings will be \$1,532,682 for water and \$423,704 for sewer.

The Town's FY 2021 water and sewer budgets were provided for this study. The FY 2021 water budget is \$8,365,063 and the FY 2021 sewer budget is \$10,705,187. The water budget includes funding for a new position of management analyst to provide support and assistance to the DPW with, among other things, management of all water meter readings, metering data quality control, and billing disputes. During the rate study, it was noticeable that the DPW is short-handed in its ability to review and understand important financial and statistical data and would benefit from the addition of a well-qualified individual in this position.

The MWRA's FY 2020 water and sewer assessments were \$3,898,438 for water and \$6,729,234 for sewer. The MWRA's final FY 2021 water and sewer assessments are \$3,935,832 for water and \$6,648,177 for sewer with a percent increase of 1.0% for water and a 1.2% decrease for sewer. The

MWRA's assessment is the single largest expense for the Water Enterprise Fund and the Sewer Enterprise Fund.

Without any changes in revenue, as presented in the baseline financial analysis, total projected water revenues for FY 2021 are \$7,390,630 and projected expenditures are \$8,365,063, leaving a deficit of \$974,434 for FY 2021. The revenue total includes \$250,000 in retained earnings. The revenue total does not include liens, which is revenue from prior years that the Town has already identified as revenue in those years.

Without any changes in revenue, as presented in the baseline financial analysis, total projected sewer revenues for FY 2021 are \$9,637,417 and projected expenditures are \$10,705,187, leaving a deficit of \$1,067,769 for FY 2021. The revenue total does not include liens, which is revenue from prior years that the Town has already identified as revenue in those years.

The Water Enterprise Fund and the Sewer Enterprise Fund are experiencing budgetary shortfalls because revenue recovered from rates is not sufficient to cover expenditures. The Town should strongly consider rate action for FY 2021 and beyond to ensure sufficient revenue is realized from rates. In addition, due to the volatile financial situation resulting from COVID-19 and the need to closely manage the water and sewer enterprise funds to ensure long-term rate stabilization, we strongly recommend the hiring of the management analyst whose position was funded in the proposed FY 2021 budget.

Billing Data Analysis

The Town extracted billing information from its Munis billing system, which compiled the data into a single excel model. The model can be used to project water and sewer billings, based on rate changes and/or tier changes.

A total of 37,943 total bills have a bill date from January 1, 2019, to December 31, 2019. The majority of accounts are residential, accounting for approximately 90.1% of total bills sent. Table 6 below shows a breakdown of the number of residential, irrigation, and commercial bills with a 2019 bill date.

Table 6 – Billing Summary								
Meter Data	Residential		Irrigation		Commercial		Totals	
Meter Size	# Bills	%	# Bills	%	# Bills	%	# Bills	%
5/8"	32,955	96.4%	2,085	90.4%	719	49.2%	35,759	94.2%
3/4"	121	0.4%	-	0.0%	36	2.5%	157	0.4%
1"	833	2.4%	182	7.9%	322	22.0%	1,337	3.5%
1-1/4"	-	0.0%	-	0.0%	-	0.0%	-	0.0%
1-1/2"	52	0.2%	20	0.9%	46	3.1%	118	0.3%
2"	105	0.3%	19	0.8%	226	15.5%	350	0.9%
3"	86	0.3%	-	0.0%	56	3.8%	142	0.4%
4"	24	0.1%	-	0.0%	56	3.8%	80	0.2%
6"	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total	34,176	100.0%	2,306	100.0%	1,461	100.0%	37,943	100.0%

The total amount billed for water and sewer consumption for 2019 was \$15,688,923. The total amount billed for meter service charges was \$319,983. The total amount billed, but not necessarily collected, was \$16,008,906. Table 7 below shows the total billed amounts by tier.

Table 7 – Total Billings and Consumption in 2019								
Tier	Usage (cu. ft.)	% Consumption	Water		Sewer		Total	
			Billings	% Billings	Billings	% Billings	Billings	% Billings
1	67,709,636	66.5%	\$3,214,891	51.7%	\$5,696,019	60.2%	\$8,910,910	56.8%
2	22,089,994	21.7%	\$1,652,505	26.6%	\$2,238,670	23.6%	\$3,891,175	24.8%
3	12,059,662	11.8%	\$1,353,340	21.7%	\$1,533,498	16.2%	\$2,886,838	18.4%
Total	*101,859,292	100.0%	\$6,220,736	100.0%	\$9,468,187	100.0%	\$15,688,923	100.0%

*761.96 million gallons of water

Usage Trends

The Town has experienced usage declines since the year 2000. Based on recent trends, a wet spring in 2020, and the COVID-19 pandemic, it is very possible that usage for FY 2021 will be lower than usage in recent years. Accuracy with usage estimates is critical to the estimation of future revenues. If usage exceeds projections, the Town will generate surplus revenue that can be used to fund future needs or can be used to offset future rates increases. If usage is less than anticipated, the Town may need to adjust its operating expenses, postpone capital improvement projects, and/or utilize reserves. Table 8 shows usage since 2015 and projected usage for FY 2020.

Table 8 – Water Usage		
Fiscal Year	Usage (Cu. Ft.)	Change %
2015	105,294,393	-
2016	107,480,202	2.03
2017	109,147,768	1.53
2018	104,773,747	-4.17
2019	103,788,033	-0.95
2020	*105,215,610	*1.36

* Projected by Weston & Sampson and The Abrahams Group

Options for Rates and Charges

Each of the three options for updated rates and charges included in this report was designed to ensure retained earnings are not depleted from FY 2021 to FY 2025 and to ensure the retained earnings balance after the close of FY 2021 is greater than 2% of the FY 2021 total budget.

Industry standards for retained earnings balance is between 10% and 25%. At the start of the rate study, the initial options were designed to target a retained earnings balance of 20% of total expenditures by the end of the five-year period. However, given the current volatile financial environment, these models were updated to target 15% by the end of the five-year period, with a goal to monitor the financials closely and work to achieve a targeted 20% retained earnings as soon as practically possible.

Since the analysis conducted was a five-year look-ahead, rates are presented for the next five fiscal years, including FY 2021. Each of these options will help the Town achieve its goals of covering actual costs of services, maintaining healthy retained earnings, and ensuring long-term fiscal stability.

Option 1

Option 1's FY 2021 increases in rates and charges are high enough for projected retained earnings to be at least 2% of the FY 2021 budget for water and sewer but are not high enough to avoid a projected deficit in FY 2021, which can be covered by retained earnings. After FY 2021, level increases are high enough for projected retained earnings to trend towards the targeted balance of 15% of total expenditures by the end of FY 2025.

Increases to rates and charges are presented in Table 9 below:

Table 9 – Proposed Increases					
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Water	7.0%	9.5%	9.5%	9.5%	9.5%
Sewer	9.5%	6.0%	6.0%	6.0%	6.0%

Tables 10 and 11 below present the current rates and charges and proposed FY 2021 rates and charges along with the differences between them. Table 12 below presents the quarterly bill impact for sample customers.

Table 10 – Current and Proposed Meter Service Charges				
Meter Charge	FY 2020	FY 2021	Difference	
Meter Size	Current	Proposed	\$	%
5/8"	\$7.14	\$7.64	\$0.50	7.0%
3/4"	\$7.60	\$8.13	\$0.53	7.0%
1"	\$8.97	\$9.60	\$0.63	7.0%
1 1/4"	\$10.79	\$11.55	\$0.76	7.0%
1 1/2"	\$10.79	\$11.55	\$0.76	7.0%
2"	\$15.77	\$16.87	\$1.10	7.0%
3"	\$52.49	\$56.16	\$3.67	7.0%
4"	\$66.08	\$70.71	\$4.63	7.0%
6"	\$97.83	\$104.68	\$6.85	7.0%

Table 11 – Volumetric Rates (per 100 cubic feet)					
Tier	Volume	FY 2020	FY 2021	Difference	
Water	(cu. Ft)	Current	Proposed	\$	%
1	0-3,000	\$4.66	\$4.99	\$0.33	7.0%
2	3,001-30,000	\$7.24	\$7.75	\$0.51	7.0%
3	Over 30,000	\$11.43	\$12.23	\$0.80	7.0%
Irrigation		\$11.43	\$12.23	\$0.80	7.0%
Sewer					
1	0-3,000	\$8.95	\$9.80	\$0.85	9.5%
2	3,001-30,000	\$11.56	\$12.66	\$1.10	9.5%
3	Over 30,000	\$15.48	\$16.95	\$1.47	9.5%
Combined					
1	0-3,000	\$13.61	\$14.79	\$1.18	8.6%
2	3,001-30,000	\$18.80	\$20.41	\$1.61	8.5%
3	Over 30,000	\$26.91	\$29.18	\$2.27	8.4%
Irrigation		\$11.43	\$12.23	\$0.80	7.0%

Private Fire Protection				
2"	\$10.40	\$11.13	\$0.73	7.0%
3"	\$36.42	\$38.97	\$2.55	7.0%
4"	\$72.83	\$77.93	\$5.10	7.0%
6"	\$213.28	\$228.21	\$14.93	7.0%
8"	\$452.57	\$484.25	\$31.68	7.0%
10"	\$816.70	\$873.87	\$57.17	7.0%

Table 12 – Bill Impacts for Sample Customers (quarterly)

Meter	Consumption	FY 2020			FY 2021			Difference	
Size	(cu. ft)	Water	Sewer	Total	Water	Sewer	Total	\$	%
5/8"	2,500	\$123.64	\$223.75	\$347.39	\$132.29	\$245.01	\$377.30	\$29.91	8.6%
5/8"	4,000	\$219.34	\$384.10	\$603.44	\$234.69	\$420.59	\$655.28	\$51.84	8.6%
5/8"	15,000	\$1,015.74	\$1,655.70	\$2,671.44	\$1,086.84	\$1,812.99	\$2,899.83	\$228.39	8.5%
1"	25,000	\$1,741.57	\$2,811.70	\$4,553.27	\$1,863.48	\$3,078.81	\$4,942.29	\$389.02	8.5%
4"	75,000	\$7,304.18	\$10,355.70	\$17,659.88	\$7,815.47	\$11,339.49	\$19,154.96	\$1,495.08	8.5%

Option 2

Option 2 has level increases in water rates and charges for each of the five years analyzed. With level increases each year, FY 2021's increases in water rates and charges are not high enough to avoid a projected deficit in FY 2021 but retained earnings can be used to cover that deficit. Level increases are high enough for projections to show retained earnings trending towards the targeted balance of 15% of total expenditures by the end of FY 2025.

A plan of level increases each year for sewer rates is not recommended as level increases for each of the five years analyzed would not be high enough to keep retained earnings from nearing depletion in the next fiscal year or two. Instead, Option 2 for sewer rates is a plan with the same FY 2021 increase as Option 1's FY 2021 increase, an increase in FY 2022 higher than Option 1's FY 2022 increase, and increases for FY 2023 to FY 2025 lower than Option 1's increases. This plan has increases high enough to keep projected retained earnings from depleting and to show retained earnings trending towards the targeted balance of 15% of total expenditures by the end of FY 2025.

Increases to rates and charges are presented in Table 13 below:

Table 13 – Proposed Increases					
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Water	9.0%	9.0%	9.0%	9.0%	9.0%
Sewer	9.5%	9.5%	4.0%	4.0%	4.0%

Tables 14 and 15 below present the current rates and charges and proposed FY 2021 rates and charges along with the differences between them. Table 16 below presents the quarterly bill impact for sample customers.

Table 14 – Current and Proposed Meter Service Charges				
Meter Charge	FY 2020	FY 2021	Difference	
Meter Size	Current	Proposed	\$	%
5/8"	\$7.14	\$7.78	\$0.64	9.0%
3/4"	\$7.60	\$8.28	\$0.68	9.0%
1"	\$8.97	\$9.78	\$0.81	9.0%
1 1/4"	\$10.79	\$11.76	\$0.97	9.0%
1 1/2"	\$10.79	\$11.76	\$0.97	9.0%
2"	\$15.77	\$17.19	\$1.42	9.0%
3"	\$52.49	\$57.21	\$4.72	9.0%
4"	\$66.08	\$72.03	\$5.95	9.0%
6"	\$97.83	\$106.63	\$8.80	9.0%

Table 15 – Volumetric Rates (per 100 cubic feet)					
Tier	Volume	FY 2020	FY 2021	Difference	
Water	(cu. Ft)	Current	Proposed	\$	%
1	0-3,000	\$4.66	\$5.08	\$0.42	9.0%
2	3,001-30,000	\$7.24	\$7.89	\$0.65	9.0%
3	Over 30,000	\$11.43	\$12.46	\$1.03	9.0%
Irrigation		\$11.43	\$12.46	\$1.03	9.0%
Sewer					
1	0-3,000	\$8.95	\$9.80	\$0.85	9.5%
2	3,001-30,000	\$11.56	\$12.66	\$1.10	9.5%
3	Over 30,000	\$15.48	\$16.95	\$1.47	9.5%
Combined					
1	0-3,000	\$13.61	\$14.88	\$1.27	9.3%
2	3,001-30,000	\$18.80	\$20.55	\$1.75	9.3%
3	Over 30,000	\$26.91	\$29.41	\$2.50	9.3%
Irrigation		\$11.43	\$12.46	\$1.03	9.0%

Private Fire Protection				
2"	\$10.40	\$11.34	\$0.94	9.0%
3"	\$36.42	\$39.70	\$3.28	9.0%
4"	\$72.83	\$79.38	\$6.55	9.0%
6"	\$213.28	\$232.48	\$19.20	9.0%
8"	\$452.57	\$493.30	\$40.73	9.0%
10"	\$816.70	\$890.20	\$73.50	9.0%

Table 16 – Bill Impacts for Sample Customers (quarterly)									
Meter	Consumption	FY 2020			FY 2021			Difference	
Size	(cu. ft)	Water	Sewer	Total	Water	Sewer	Total	\$	%
5/8"	2,500	\$123.64	\$223.75	\$347.39	\$134.77	\$245.01	\$379.77	\$32.38	9.3%
5/8"	4,000	\$219.34	\$384.10	\$603.44	\$239.08	\$420.59	\$659.67	\$56.23	9.3%
5/8"	15,000	\$1,015.74	\$1,655.70	\$2,671.44	\$1,107.16	\$1,812.99	\$2,920.15	\$248.71	9.3%
1"	25,000	\$1,741.57	\$2,811.70	\$4,553.27	\$1,898.31	\$3,078.81	\$4,977.12	\$423.85	9.3%
4"	75,000	\$7,304.18	\$10,355.70	\$17,659.88	\$7,961.56	\$11,339.49	\$19,301.05	\$1,641.17	9.3%

Option 3

Option 3 has different rate increases in each of the three tiers for FY 2021. The increases are not high enough to avoid a projected deficit in FY 2021 but retained earnings can be used to cover that deficit. Level increases for FY 2022 to FY 2025 are high enough for projections to show retained earnings trending towards the targeted balance of 15% of total expenditures by the end of FY 2025.

The increases for the irrigation rate are the same as the increases for the third tier for water. The increases for the meter charges and fire service charges are the same as the increases for the first tier for water.

The increases as presented would generally have a greater impact on commercial properties than residential properties. Considering the COVID-19 pandemic's impact on commercial properties, increasing rates in the third tier at a higher clip than rates in the first and second tiers may not be an appealing option for the Town at this time.

Increases to rates and charges are presented in Table 17 below:

Table 17 – Proposed Increases						
	Tier	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Water	1	6.5%	8.0%	8.0%	8.0%	8.0%
Water	2	13.0%	8.0%	8.0%	8.0%	8.0%
Water	3	19.5%	8.0%	8.0%	8.0%	8.0%
Sewer	1	6.5%	5.5%	5.5%	5.5%	5.5%
Sewer	2	13.0%	5.5%	5.5%	5.5%	5.5%
Sewer	3	19.5%	5.5%	5.5%	5.5%	5.5%

Tables 18 and 19 below present the current rates and charges and proposed FY 2021 rates and charges along with the differences between them. Table 20 below presents the quarterly bill impact for sample customers.

Table 18 – Current and Proposed Meter Service Charges				
Meter Charge	FY 2020	FY 2021	Difference	
Meter Size	Current	Proposed	\$	%
5/8"	\$7.14	\$7.60	\$0.46	6.5%
3/4"	\$7.60	\$8.09	\$0.49	6.5%
1"	\$8.97	\$9.55	\$0.58	6.5%
1 1/4"	\$10.79	\$11.49	\$0.70	6.5%
1 1/2"	\$10.79	\$11.49	\$0.70	6.5%
2"	\$15.77	\$16.80	\$1.03	6.5%
3"	\$52.49	\$55.90	\$3.41	6.5%
4"	\$66.08	\$70.38	\$4.30	6.5%
6"	\$97.83	\$104.19	\$6.36	6.5%

Table 19 – Volumetric Rates (per 100 cubic feet)					
Tier	Volume	FY 2020	FY 2021	Difference	
Water	(cu. Ft)	Current	Proposed	\$	%
1	0-3,000	\$4.66	\$4.96	\$0.30	6.5%
2	3,001-30,000	\$7.24	\$8.18	\$0.94	13.0%
3	Over 30,000	\$11.43	\$13.66	\$2.23	19.5%
Irrigation		\$11.43	\$13.66	\$2.23	19.5%
Sewer					
1	0-3,000	\$8.95	\$9.53	\$0.58	6.5%
2	3,001-30,000	\$11.56	\$13.06	\$1.50	13.0%
3	Over 30,000	\$15.48	\$18.50	\$3.02	19.5%

Combined					
1	0-3,000	\$13.61	\$14.49	\$0.88	6.5%
2	3,001-30,000	\$18.80	\$21.24	\$2.44	13.0%
3	Over 30,000	\$26.91	\$32.16	\$5.25	19.5%
Irrigation		\$11.43	\$13.66	\$2.23	19.5%
Private Fire Protection					
2"		\$10.40	\$11.08	\$0.68	6.5%
3"		\$36.42	\$38.79	\$2.37	6.5%
4"		\$72.83	\$77.56	\$4.73	6.5%
6"		\$213.28	\$227.14	\$13.86	6.5%
8"		\$452.57	\$481.99	\$29.42	6.5%
10"		\$816.70	\$869.79	\$53.09	6.5%

Table 20 – Bill Impacts for Sample Customers (quarterly)									
Meter	Consumption	FY 2020			FY 2021			Difference	
Size	(cu. ft)	Water	Sewer	Total	Water	Sewer	Total	\$	%
5/8"	2,500	\$123.64	\$223.75	\$347.39	\$131.68	\$238.29	\$369.97	\$22.58	6.5%
5/8"	4,000	\$219.34	\$384.10	\$603.44	\$238.30	\$416.58	\$654.88	\$51.44	8.5%
5/8"	15,000	\$1,015.74	\$1,655.70	\$2,671.44	\$1,138.24	\$1,853.49	\$2,991.72	\$320.28	12.0%
1"	25,000	\$1,741.57	\$2,811.70	\$4,553.27	\$1,958.30	\$3,159.77	\$5,118.07	\$564.80	12.4%
4"	75,000	\$7,304.18	\$10,355.70	\$17,659.88	\$8,574.67	\$12,137.28	\$20,711.95	\$3,052.07	17.3%

Recommendations

It is important to the Town that, given the current financial environment, the proposed rate increases are mitigated as much as possible. For that reason, we are recommending the Town strongly consider adopting Option 1.

It is important for the Town to continue to fund its water and sewer capital improvement plans (CIPs). The Town will surely benefit from continued capital investment, including the water meter replacement program. In 2018 the Town updated its Water Regulations to take ownership of the non-residential water meters, which comprise a small percentage of the population of meters (109 accounts), but a significant portion of the water usage.

The projections provided in the memorandum are based on many assumptions. We recommend that the water and sewer analyses conducted for the Town are reviewed and updated each year. Assumptions, like, for example, planned expenditures and consumption trends, change year-to-year and it is important to capture those changes to ensure that the rate plans presented are based on the

most accurate information available at the time. It is further recommended that the Town hire the DPW management analyst to closely monitor the water and sewer enterprise funds as previously discussed.

If, in future years, retained earnings projections show balances lower than those acceptable to the Town, the Town can look at its planned expenses to see if any can be adjusted for a given year. This review should include any planned debt as the Town can choose to push out planned debt a year or two, if necessary.

Future Consideration

Not included as a recommendation for FY 2021, but for a subsequent fiscal year, are changes to how the tiers are constructed. As part of the study, we briefly looked at potential changes to the tier structure and their financial impact.

The top of the first tier is high when considering that the calculated per-bill water usage for the average residential household of 2.24 people is less than 1,800 cubic feet. An analysis of changing the top of the first tier from 3,000 cubic feet to 2,000 cubic feet showed an additional \$400,000 in water and sewer billings.

The top of the second tier is high when considering that many of the small and medium commercial establishments in town, like banks, sit-down restaurants, and pizza restaurants, use less than 10,000 cubic feet of water quarterly and most of the sample commercial accounts analyzed uses less than 5,000 cubic feet of water quarterly. An analysis of changing the top of the second tier from 30,000 cubic feet to 10,000 cubic feet showed an additional \$750,000 in water and sewer billings. An analysis of changing the top of the second tier from 30,000 cubic feet to 5,000 cubic feet showed an additional \$1,300,000 in water and sewer billings.

Indirect Costs Methodology

During the water and sewer rate study, we completed a review of the existing methodology used to determine the annual indirect cost allocations for water and sewer. Based on this review, we recommended changes to the Town and noted things for the Town to consider, and we recommend that the Town consider updating its indirect costs methodology in time for the FY 2022 budget cycle. The recommendations were provided to the Town at the same time as the memorandum and is attached to this memorandum as reference.

**WATER RATE STUDY
INDIRECT COSTS METHODOLOGY -
RECOMMENDATIONS**

Town of Watertown

Water and Sewer Indirect Costs Methodology

Recommended Changes and Items to Review

June 19, 2020

After a thorough review of the existing methodology used to determine the annual indirect costs allocations for water and sewer, we recommend the following possible changes to the methodology used and the following items to review, which could lead to possible changes to the methodology.

- The costs inputted into the indirect costs worksheet are budgeted costs for the upcoming fiscal year. Therefore, presumably, the allocations cannot be determined and finalized until the budgetary numbers for the upcoming fiscal year are finalized. This may cause a delay in determining the indirect costs allocations and they may not be known until the tail end of the budget cycle. If the Town was interested in finalizing the allocations earlier in the budget cycle, it could consider using different costs as inputs into the indirect costs worksheet. Using actuals from the prior fiscal year is a recommended option.
- The allocations for the **Town's Treasurer/Collector Department** are solely based on the number of bills processed by the department. While an effective way to generalize work this department does and a good basis for the allocation, this methodology does not account for all tasks in the department. The department does other things for water and sewer besides tasks related to bills, like debt management, warrant processing, and managing refunds, abatements, liens, A/R reconciliations, and betterments. There is no current way to account for these other tasks, if the Town is interested in that. However, doing so would increase the complication of this allocation.
- The allocations for the **Personnel Department** are determined using Town-wide costs, not including costs associated with the School Department. This methodology is a good option if the Personnel Department does not assist the School Department's staff and the School Department has personnel staff for this purpose.
- The allocations for the **Purchasing Department** are determined using costs in the Town's Capital Improvement Plan (CIP). While a defensible methodology for this department's allocations, assuming the department purchases more on behalf of water and sewer than just purchases associated with the CIP, the Town could instead focus on a way to allocate based on all purchases and not just those associated with the CIP.
- Allocations for the **Assessors Department** are currently not determined. We support that allocations for this department are not determined if the Town does not have water or sewer betterments. If the Town does have water or sewer betterments, then the department provides services on behalf of water or sewer and those services should be quantified somehow.
- The allocations for the **Data Processing (IT) Department** are determined using Town-wide costs, including costs associated with the School Department. This methodology is a good option if the department assists all departments, including the School Department, in a similar fashion and if the School Department does not have staff for this purpose. If the School Department does have IT staff supporting School Department functions only, then this department's methodology

should be revisited. If revisited, the Town could consider focusing on computer users in each department supported by the Data Processing (IT) Department when determining the allocations.

- The allocations for **DPW Central Motors** are determined using Town-wide costs, including costs associated with the School Department. This methodology implies that vehicles Town-wide are similarly maintained and that each department has vehicles to maintain. Considering most of the Town's vehicles are used by just a few departments, the Town should consider revisiting this methodology and, instead, consider allocations based on vehicles per department. The Town could also consider that some vehicles require more maintenance than others and, therefore, are more costly to maintain.
- Allocations for the **Highway Department** are currently not determined. We support that allocations for this department are not determined but wanted to note that the Town does have vehicles belonging to the Highway Department, Water Department, and Sewer Department that are used interchangeably for certain events, including snow and ice events. If the Town wanted to attempt to capture that usage, it could get creative with allocations capturing the Highway Department's reliance on water and sewer vehicles during those events. Likewise, there may exist water and sewer projects for which Highway Department vehicles are needed.
- The allocations for **Town Hall** and **Postage** are pre-determined amounts carried over from prior years without any calculations to show how they were determined (assuming calculations were used for them at one point). We support calculations supporting a methodology that produces annual allocations whenever possible and recommend the Town consider adopting calculations to show the allocations.
- The allocations for **OPEB, Retirees, and Insurance & Employee Benefits** are determined using Town-wide costs, not including costs associated with the School Department. This methodology is a good option if contributions, insurance, and benefits are not for the School Department's staff. If contributions, insurance, or benefits are for the School Department's staff, then costs associated with the School Department should be included in this methodology.
- The allocations for water and sewer indirect costs are thorough and seem to cover most, if not all, Town services on behalf of water and sewer. The Town could consider including allocations related to the following expenses, assuming these expenses are funded out of the Town's General Fund today and these expenses are not part of a department's budget already allocated.
 - o Medical & Alcohol Drug Testing
 - o Fuel costs
 - o Town Council stipends
 - o Other Insurance & Employee Benefits costs, if all are not already captured

**WATER RATE STUDY - 5 YEAR ANALYSIS
OPTIONS 1-3**

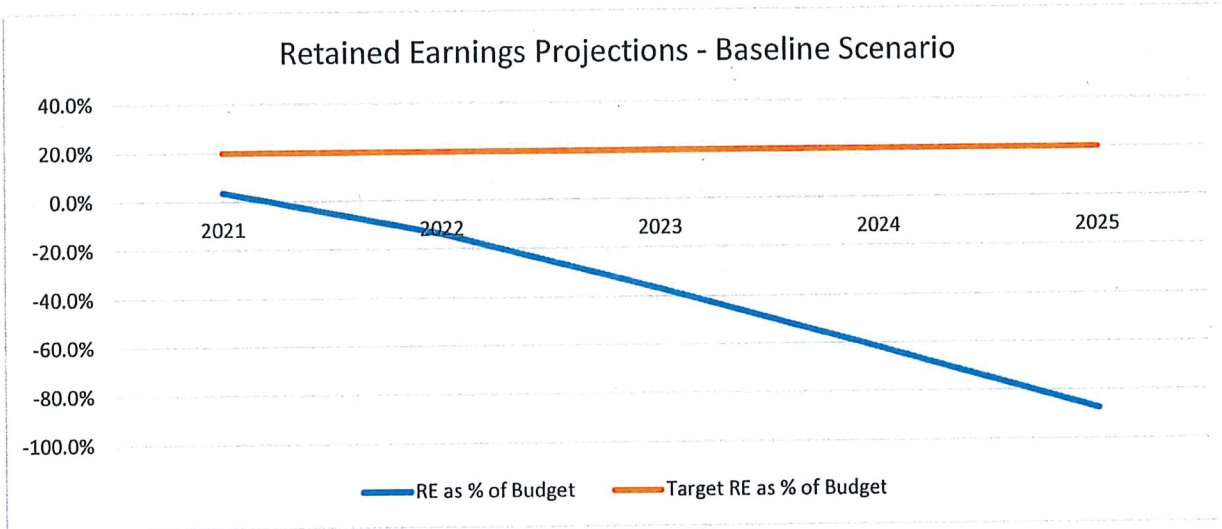
Description	2017	2018	2019	2020	2020	2021	2021	2022	2023	2024	2025	COMMENTS
Actual	Actual	Actual	Budgeted	Budgeted	Projected	Budgeted	Projected	Projected	Projected	Projected	Projected	
Revenues and Other Sources												
TAX LIENS REDEMPTION	\$ 9,012	\$ 1,610	\$ 9,237	\$ -	\$ 6,620	\$ -	\$ 6,620	\$ 6,620	\$ 6,620	\$ 6,620	\$ 6,620	FY20-FY25, three-year average FY17-FY19
INT AND PEN ON LIENS/WATER	\$ 2,595	\$ 2,405	\$ 5,514	\$ -	\$ 3,504	\$ -	\$ 3,504	\$ 3,504	\$ 3,504	\$ 3,504	\$ 3,504	FY20-FY25, three-year average FY17-FY19
INT AND PEN WATER CHARGES	\$ 38,179	\$ 34,679	\$ 48,088	\$ 40,000	\$ 40,315	\$ -	\$ 40,315	\$ 40,315	\$ 40,315	\$ 40,315	\$ 40,315	FY20-FY25, three-year average FY17-FY19
WATER UTILITY USAGE CHARGES	\$ 6,743,430	\$ 6,466,946	\$ 6,433,951	\$ 7,570,278	\$ 6,594,800	\$ -	\$ 6,594,800	\$ 6,594,800	\$ 6,594,800	\$ 6,594,800	\$ 6,594,800	FY20 is FY19 actuals + 2.5% rate increase; FY21 on assume level
MUNICIPAL WATER CHARGES	\$ 255,930	\$ 254,188	\$ 204,859	\$ 195,000	\$ 195,000	\$ -	\$ 195,000	\$ 195,000	\$ 195,000	\$ 195,000	\$ 195,000	FY20 is budgeted; FY21 on assume level
WATER LIENS	\$ 216,281	\$ 232,729	\$ 276,192	\$ -	\$ 241,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FY20, 3-year average FY17-FY19; zeroed out FY21-FY25 to exclude from rev red't
WATER/OTHER UTILITY CHARGES	\$ 222,100	\$ 286,808	\$ 75,281	\$ 30,000	\$ 194,730	\$ -	\$ 194,730	\$ 194,730	\$ 194,730	\$ 194,730	\$ 194,730	FY20-FY25, three-year average FY17-FY19
WATER TEST CHARGES	\$ 107,425	\$ 77,175	\$ 68,884	\$ 50,000	\$ 84,495	\$ -	\$ 84,495	\$ 84,495	\$ 84,495	\$ 84,495	\$ 84,495	FY20-FY25, three-year average FY17-FY19
SALE OF PROP/INFRA. READS	\$ 11,185	\$ 10,285	\$ 11,510	\$ -	\$ 10,993	\$ -	\$ 10,993	\$ 10,993	\$ 10,993	\$ 10,993	\$ 10,993	FY20-FY25, three-year average FY17-FY19
WATER/INTEREST INCOME	\$ 5,258	\$ 11,634	\$ 13,626	\$ 10,000	\$ 10,173	\$ -	\$ 10,173	\$ 10,173	\$ 10,173	\$ 10,173	\$ 10,173	FY20-FY25, three-year average FY17-FY19
Sub Total	\$ 7,611,395	\$ 7,378,458	\$ 7,147,142	\$ 7,895,278	\$ 7,382,364	\$ 8,115,063	\$ 7,140,630	\$ 7,140,630	\$ 7,140,630	\$ 7,140,630	\$ 7,140,630	
Retained Earnings	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 250,000	\$ -	\$ -	\$ 250,000	\$ -	\$ 250,000	FY20 already factored into recent certification; FY24-25 alternates
Total Revenues and Other Sources	\$ 7,611,395	\$ 7,378,458	\$ 7,147,142	\$ 8,395,278	\$ 7,882,364	\$ 8,365,063	\$ 7,390,630	\$ 7,140,630	\$ 7,390,630	\$ 7,140,630	\$ 7,390,630	
Expenditures and Other Uses												
Salaries and Wages	\$ 892,666	\$ 892,809	\$ 922,855	\$ 996,419	\$ 745,419	\$ 1,089,648	\$ 1,089,648	\$ 1,116,890	\$ 1,144,812	\$ 1,173,432	\$ 1,202,768	FY20 and FY21 from Budget; FY20 proj adj for turnbacks; FY22 on 2.5% yearly incr
MWRA Assessment	\$ 3,290,986	\$ 3,388,389	\$ 3,696,371	\$ 3,898,438	\$ 3,898,438	\$ 3,935,832	\$ 3,935,832	\$ 4,073,586	\$ 4,216,162	\$ 4,363,727	\$ 4,516,458	FY20 and FY21 from actual payments; Increase 3.5% yearly as is avg recently
Other Expenses	\$ 346,600	\$ 310,625	\$ 316,766	\$ 390,834	\$ 390,834	\$ 395,100	\$ 395,100	\$ 406,953	\$ 419,162	\$ 431,736	\$ 444,689	FY20 and FY21 from Budget; FY22 on Increased 3.0% yearly
Capital Outlay	\$ 210,963	\$ 235,907	\$ 235,417	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	\$ 236,000	FY20 and FY21 budgeted; assume level FY22 and on
Existing Long Term Debt	\$ 488,774	\$ 531,074	\$ 604,715	\$ 741,779	\$ 741,779	\$ 869,963	\$ 869,963	\$ 1,169,193	\$ 1,480,583	\$ 1,599,663	\$ 1,578,680	FY20 and FY21 from budget; FY22 on from Planned Debt schedule with CIP
Prior Year Expenses	\$ 42,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Only FY17 impact shown
Prior Year Capital	\$ 6,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Only FY17 impact shown
Sub Total	\$ 5,281,353	\$ 5,358,803	\$ 5,776,124	\$ 6,263,470	\$ 6,013,470	\$ 6,526,543	\$ 6,526,543	\$ 7,002,621	\$ 7,496,718	\$ 7,804,558	\$ 7,978,594	
Indirect Costs	\$ 1,629,999	\$ 1,689,103	\$ 1,648,500	\$ 1,631,808	\$ 1,631,808	\$ 1,588,520	\$ 1,588,520	\$ 1,636,176	\$ 1,685,261	\$ 1,735,819	\$ 1,787,893	FY20 from budget; FY21 on increased 3% yearly
Transfer to Capital Projects	\$ 250,000	\$ 530,450	\$ 250,000	\$ 500,000	\$ 500,000	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ 250,000	FY20 and FY21 from budget; alternate \$250K and \$500K every other year
Total Expenditures and Other Uses	\$ 7,161,352	\$ 7,578,356	\$ 7,674,624	\$ 8,395,278	\$ 8,145,278	\$ 8,365,063	\$ 8,365,063	\$ 8,638,797	\$ 9,431,978	\$ 9,540,377	\$ 10,016,487	
Excess (Deficiency) of Revenues and Available Funds > Expenditures and Other Uses	\$ 450,043	\$ (199,898)	\$ (527,482)	\$ -	\$ (262,914)	\$ -	\$ (974,434)	\$ (1,498,167)	\$ (2,041,349)	\$ (2,399,747)	\$ (2,625,858)	
Retained Earnings Summary												
Certified Retained Earnings as of July 1, 2019												
Available Retained Earnings Start of FY			\$ 1,795,596			\$ 1,532,682	\$ 308,248	\$ (1,189,919)	\$ (3,481,268)	\$ (3,481,268)	\$ (5,881,015)	
Retained Earnings Appropriated			\$ -			\$ (250,000)	\$ -	\$ (250,000)	\$ -	\$ -	\$ (250,000)	
Current Year Surplus/(Deficit)			\$ (262,914)			\$ (974,434)	\$ (1,498,167)	\$ (2,041,349)	\$ (2,399,747)	\$ (2,399,747)	\$ (2,625,858)	
Projected Retained Earnings Balance			\$ 1,532,682			\$ 308,248	\$ (1,189,919)	\$ (3,481,268)	\$ (5,881,015)	\$ (5,881,015)	\$ (8,756,873)	
Projected Retained Earnings Balance as % of Budget			18.8%			3.7%	-13.8%	-36.9%	-61.6%	-61.6%	-87.4%	

Town of Watertown
Water Rate Study

5-Year Analysis - Baseline

Target Retained Earnings as % of Budget:	20.0%
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Baseline	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (974,434)	\$ (1,498,167)	\$ (2,041,349)	\$ (2,399,747)	\$ (2,625,858)
Projected Retained Earnings	\$ 308,248	\$ (1,189,919)	\$ (3,481,268)	\$ (5,881,015)	\$ (8,756,873)
RE as % of Budget	3.7%	-13.8%	-36.9%	-61.6%	-87.4%
Target RE as % of Budget	20.0%	20.0%	20.0%	20.0%	20.0%



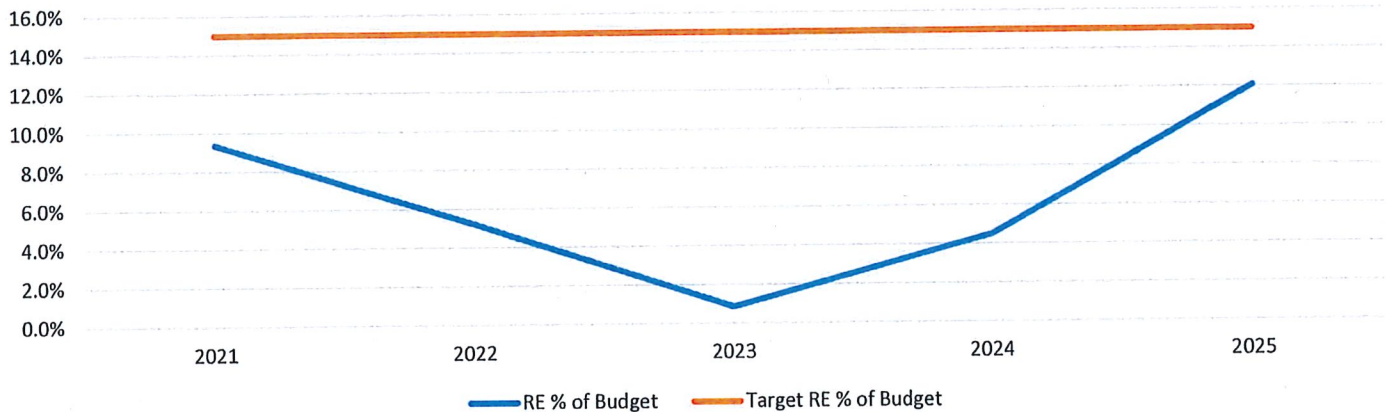
Town of Watertown
Water Rate Study

5-Year Analysis - Option 1

Rate Increases:	7.0%	9.5%	9.5%	9.5%	9.5%
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Rate Impact	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (499,148)	\$ (332,698)	\$ (120,129)	\$ 349,020	\$ 1,029,073
Projected Retained Earnings	\$ 783,534	\$ 450,836	\$ 80,707	\$ 429,727	\$ 1,208,800
RE % of Budget	9.4%	5.2%	0.9%	4.5%	12.1%
Target RE % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%

Retained Earnings Projections - with Rate Changes



User Impact (per Bill) - Water Bills Only			New Bills				
User Type	Usage	Current Bill	FY21	FY22	FY23	FY24	FY25
High Tier 1 User (5/8" meter)	2,500	\$ 123.64	\$ 132.29	\$ 144.86	\$ 158.62	\$ 173.69	\$ 190.20
Low Tier 2 User (5/8" meter)	4,000	\$ 219.34	\$ 234.69	\$ 256.99	\$ 281.40	\$ 308.14	\$ 337.41
Mid Tier 2 User (5/8" meter)	15,000	\$ 1,015.74	\$ 1,086.84	\$ 1,190.09	\$ 1,303.15	\$ 1,426.95	\$ 1,562.51
High Tier 2 User (1" meter)	25,000	\$ 1,741.57	\$ 1,863.48	\$ 2,040.51	\$ 2,234.36	\$ 2,446.62	\$ 2,679.05
Large User (4" meter)	75,000	\$ 7,304.18	\$ 7,815.47	\$ 8,557.94	\$ 9,370.95	\$ 10,261.19	\$ 11,236.00

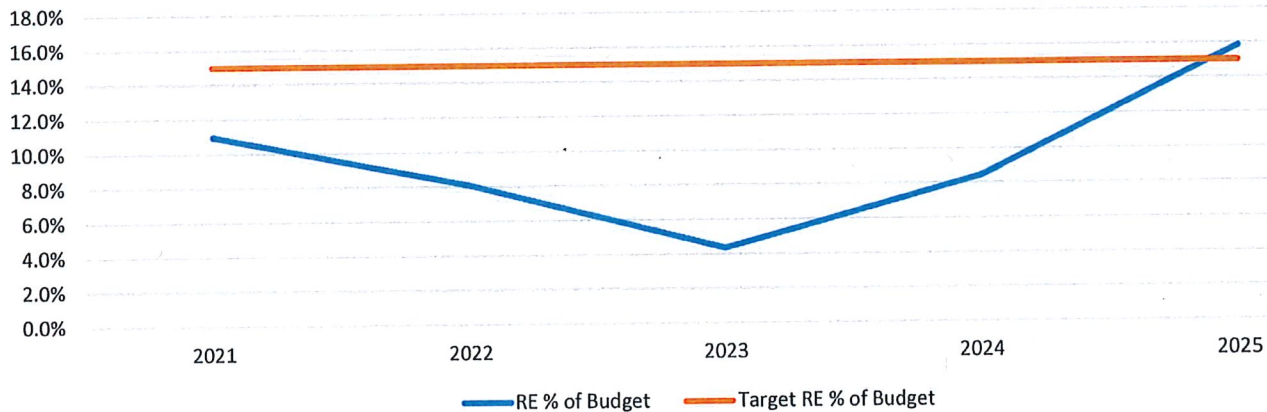
Town of Watertown
Water Rate Study

5-Year Analysis - Option 2

Rate Increases:	9.0%	9.0%	9.0%	9.0%	9.0%
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Rate Impact	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (363,352)	\$ (221,006)	\$ (38,161)	\$ 394,810	\$ 1,031,291
Projected Retained Earnings	\$ 919,330	\$ 698,324	\$ 410,163	\$ 804,973	\$ 1,586,264
RE % of Budget	11.0%	8.1%	4.3%	8.4%	15.8%
Target RE % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%

Retained Earnings Projections - with Rate Changes



User Impact (per Bill) - Water Bills Only			New Bills				
User Type	Usage	Current Bill	FY21	FY22	FY23	FY24	FY25
High Tier 1 User (5/8" meter)	2,500	\$ 123.64	\$ 134.77	\$ 146.90	\$ 160.12	\$ 174.53	\$ 190.24
Low Tier 2 User (5/8" meter)	4,000	\$ 219.34	\$ 239.08	\$ 260.60	\$ 284.05	\$ 309.62	\$ 337.48
Mid Tier 2 User (5/8" meter)	15,000	\$ 1,015.74	\$ 1,107.16	\$ 1,206.80	\$ 1,315.41	\$ 1,433.80	\$ 1,562.84
High Tier 2 User (1" meter)	25,000	\$ 1,741.57	\$ 1,898.31	\$ 2,069.16	\$ 2,255.38	\$ 2,458.37	\$ 2,679.62
Large User (4" meter)	75,000	\$ 7,304.18	\$ 7,961.56	\$ 8,678.10	\$ 9,459.12	\$ 10,310.45	\$ 11,238.39

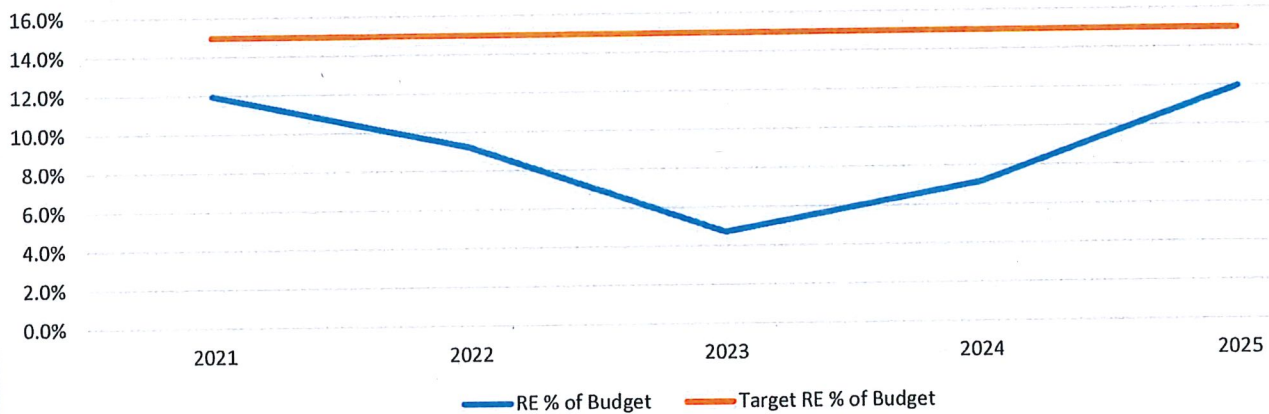
Town of Watertown
Water Rate Study

5-Year Analysis - Option 3

Rate Increases:	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Tier 1	6.5%	8.0%	8.0%	8.0%	8.0%
Tier 2	13.0%	8.0%	8.0%	8.0%	8.0%
Tier 3	19.5%	8.0%	8.0%	8.0%	8.0%

Rate Impact	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (280,212)	\$ (205,224)	\$ (101,786)	\$ 238,164	\$ 766,271
Projected Retained Earnings	\$ 1,002,470	\$ 797,246	\$ 445,460	\$ 683,624	\$ 1,199,895
RE % of Budget	12.0%	9.2%	4.7%	7.2%	12.0%
Target RE % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%

Retained Earnings Projections - with Rate Changes



User Impact (per Bill) - Water Bills Only			New Bills				
User Type	Usage	Current Bill	FY21	FY22	FY23	FY24	FY25
High Tier 1 User (5/8" meter)	2,500	\$ 123.64	\$ 131.68	\$ 142.21	\$ 153.59	\$ 165.87	\$ 179.14
Low Tier 2 User (5/8" meter)	4,000	\$ 219.34	\$ 238.30	\$ 257.37	\$ 277.96	\$ 300.19	\$ 324.21
Mid Tier 2 User (5/8" meter)	15,000	\$ 1,015.74	\$ 1,138.24	\$ 1,229.29	\$ 1,327.64	\$ 1,433.85	\$ 1,548.56
High Tier 2 User (1" meter)	25,000	\$ 1,741.57	\$ 1,958.30	\$ 2,114.97	\$ 2,284.17	\$ 2,466.90	\$ 2,664.25
Large User (4" meter)	75,000	\$ 7,304.18	\$ 8,574.67	\$ 9,260.64	\$ 10,001.49	\$ 10,801.61	\$ 11,665.74

**SEWER RATE STUDY - 5 YEAR ANALYSIS
OPTIONS 1-3**

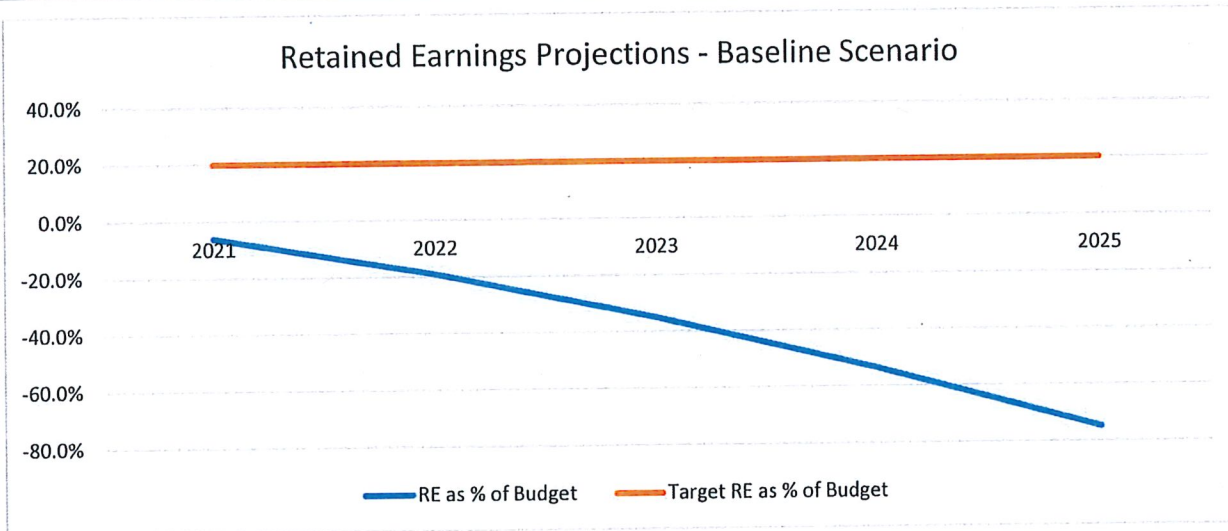
Description	2017 ACTUAL	2018 ACTUAL	2019 ACTUAL	2020 BUDGETED	2020 PROJECTED	2021 BUDGETED	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED	COMMENTS
Revenues and Other Sources												
TAX LIENS REDHEMED	\$ 16,482	\$ 2,693	\$ 10,362	\$ -	\$ 9,845	\$ -	\$ 9,845	\$ 9,845	\$ 9,845	\$ 9,845	\$ 9,845	FY20-FY25, three-year average FY17-FY19
INT AND PEN ON LIENS/SEWER	\$ 4,330	\$ 3,668	\$ 6,517	\$ -	\$ 5,038	\$ -	\$ 5,038	\$ 5,038	\$ 5,038	\$ 5,038	\$ 5,038	FY20-FY25, three-year average FY17-FY19
INT AND PEN ON LIENS/SEWER CHARGES	\$ 59,254	\$ 52,808	\$ 55,550	\$ 40,000	\$ 55,870	\$ -	\$ 55,870	\$ 55,870	\$ 55,870	\$ 55,870	\$ 55,870	FY20-FY25, three-year average FY17-FY19
SEWER UTILITY USAGE CHARGES	\$ 9,130,299	\$ 8,778,330	\$ 8,976,555	\$ 10,792,020	\$ 9,425,382	\$ -	\$ 9,425,382	\$ 9,425,382	\$ 9,425,382	\$ 9,425,382	\$ 9,425,382	FY20 is FY19 actuals + 5.0% rate increase; FY21 on assume level
MUNICIPAL SEWER CHARGES	\$ 124,389	\$ 111,203	\$ 95,434	\$ 98,604	\$ 98,604	\$ -	\$ 98,604	\$ 98,604	\$ 98,604	\$ 98,604	\$ 98,604	FY20 is budgeted; FY21 on assume level
SEWER LIENS	\$ 364,245	\$ 428,114	\$ 444,656	\$ -	\$ 412,338	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FY20, 3-year average FY17-FY19; zeroed out FY21-FY25 to exclude from rev req't
SEWER/OTHER UTILITY CHARGES	\$ 78,540	\$ 2,115	\$ 960	\$ -	\$ 27,205	\$ -	\$ 27,205	\$ 27,205	\$ 27,205	\$ 27,205	\$ 27,205	FY20-FY25, three-year average FY17-FY19
SEWER/INTEREST INCOME	\$ 8,624	\$ 17,860	\$ 19,932	\$ 15,000	\$ 15,472	\$ -	\$ 15,472	\$ 15,472	\$ 15,472	\$ 15,472	\$ 15,472	FY20-FY25, three-year average FY17-FY19
Sub Total	\$ 9,786,103	\$ 9,396,990	\$ 9,650,365	\$ 10,945,624	\$ 10,049,756	\$ 10,705,187	\$ 9,637,417	\$ 9,637,417	\$ 9,637,417	\$ 9,637,417	\$ 9,637,417	Assuming none
Total Revenues and Other Sources	\$ 9,786,103	\$ 9,396,990	\$ 9,650,365	\$ 10,945,624	\$ 10,049,756	\$ 10,705,187	\$ 9,637,417	\$ 9,637,417	\$ 9,637,417	\$ 9,637,417	\$ 9,637,417	
Expenditures and Other Uses												
Salaries and Wages	\$ 415,411	\$ 371,907	\$ 458,609	\$ 547,413	\$ 297,413	\$ 569,425	\$ 569,425	\$ 583,660	\$ 598,252	\$ 613,208	\$ 628,538	FY20 and FY21 from Budget; FY20 proj adj for turnbacks; FY22 on 2.5% yearly incr
MWRA Assessment	\$ 5,971,377	\$ 6,103,914	\$ 6,357,733	\$ 6,729,234	\$ 6,729,234	\$ 6,648,177	\$ 6,648,177	\$ 6,914,104	\$ 7,190,668	\$ 7,478,295	\$ 7,777,427	FY20 and FY21 from actual payments; increase 4.0% yearly as is avg recently
Other Expenses	\$ 446,627	\$ 638,900	\$ 456,850	\$ 486,929	\$ 486,929	\$ 481,000	\$ 481,000	\$ 495,430	\$ 510,293	\$ 525,602	\$ 541,370	FY20 and FY21 from Budget; FY22 on increased 3.0% yearly
Capital Outlay	\$ 969,259	\$ 1,050,005	\$ 1,052,916	\$ 1,055,000	\$ 1,055,000	\$ 1,055,000	\$ 1,055,000	\$ 1,055,000	\$ 1,055,000	\$ 1,055,000	\$ 1,055,000	FY20 and FY21 budgeted; assume level FY22 and on
Existing Long Term Debt	\$ 207,475	\$ 206,888	\$ 366,194	\$ 592,658	\$ 592,658	\$ 459,783	\$ 459,783	\$ 534,038	\$ 624,343	\$ 759,978	\$ 887,490	FY20 and FY21 from budget; FY22 on from Planned Debt schedule with CIP
Prior Year Expenses	\$ 115,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Only FY17 impact shown
Prior Year Capital	\$ 1,174,508	\$ 569,779	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Only FY17 and FY18 impact shown
Sub Total	\$ 9,299,840	\$ 8,941,391	\$ 8,692,203	\$ 9,411,234	\$ 9,161,234	\$ 9,213,385	\$ 9,213,385	\$ 9,582,232	\$ 9,978,555	\$ 10,432,082	\$ 10,889,825	FY20 from budget; FY21 on increased 3% yearly
Indirect Costs	\$ 1,399,666	\$ 1,488,212	\$ 1,524,642	\$ 1,534,390	\$ 1,534,390	\$ 1,491,802	\$ 1,491,802	\$ 1,536,556	\$ 1,582,653	\$ 1,630,132	\$ 1,679,036	FY20 and FY21 from budget; assume none for future years
Transfer to Capital Projects	\$ 250,000	\$ 355,560	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenditures and Other Uses	\$ 10,949,506	\$ 10,795,163	\$ 10,466,845	\$ 10,945,624	\$ 10,695,624	\$ 10,705,187	\$ 10,705,187	\$ 11,118,788	\$ 11,561,208	\$ 12,062,215	\$ 12,568,861	
Excess (Deficiency) of Revenues and Available Funds > Expenditures and Other Uses	\$ (1,163,403)	\$ (1,398,173)	\$ (856,480)	\$ -	\$ (645,868)	\$ -	\$ (1,067,769)	\$ (1,481,371)	\$ (1,923,791)	\$ (2,424,797)	\$ (2,931,444)	
Retained Earnings Summary												
Certified Retained Earnings as of July 1, 2019												
Available Retained Earnings Start of FY		\$ 1,069,572			\$ 1,069,572		\$ 423,704	\$ (644,065)	\$ (2,125,436)	\$ (4,049,227)	\$ (6,474,024)	
Retained Earnings Appropriated					\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	
Current Year Surplus/(Deficit)					\$ (645,868)		\$ (1,067,769)	\$ (1,481,371)	\$ (1,923,791)	\$ (2,424,797)	\$ (2,931,444)	
Projected Retained Earnings Balance					\$ 423,704		\$ (644,065)	\$ (2,125,436)	\$ (4,049,227)	\$ (6,474,024)	\$ (9,405,468)	
Projected Retained Earnings Balance as % of Budget					4.0%		-6.0%	-19.1%	-35.0%	-53.7%	-74.8%	

Town of Watertown
Sewer Rate Study

5-Year Analysis - Baseline

Target Retained Earnings as % of Budget:	20.0%
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Baseline	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (1,067,769)	\$ (1,481,371)	\$ (1,923,791)	\$ (2,424,797)	\$ (2,931,444)
Projected Retained Earnings	\$ (644,065)	\$ (2,125,436)	\$ (4,049,227)	\$ (6,474,024)	\$ (9,405,468)
RE as % of Budget	-6.0%	-19.1%	-35.0%	-53.7%	-74.8%
Target RE as % of Budget	20.0%	20.0%	20.0%	20.0%	20.0%



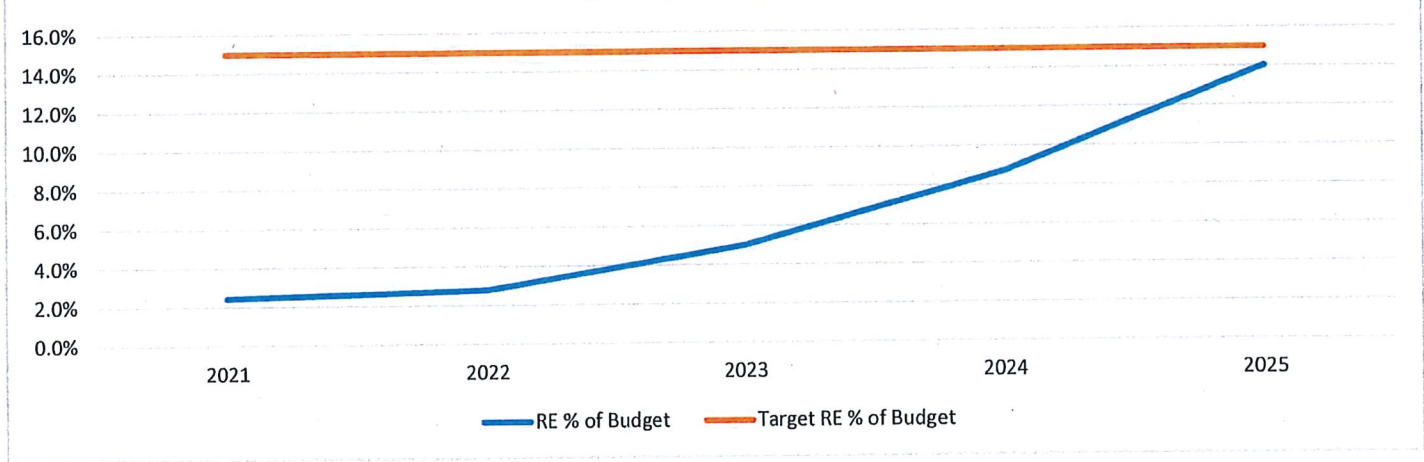
Town of Watertown
Sewer Rate Study

5-Year Analysis - Option 1

Rate Increases:	9.5%	6.0%	6.0%	6.0%	6.0%
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Rate Impact	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (162,991)	\$ 49,134	\$ 269,983	\$ 472,042	\$ 710,646
Projected Retained Earnings	\$ 260,713	\$ 309,847	\$ 579,830	\$ 1,051,872	\$ 1,762,518
RE % of Budget	2.4%	2.8%	5.0%	8.7%	14.0%
Target RE % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%

Retained Earnings Projections - with Rate Changes



User Impact (per Bill) - Sewer Bills Only			New Bills				
User Type	Usage	Current Bill	FY21	FY22	FY23	FY24	FY25
High Tier 1 User	2,500	\$ 223.75	\$ 245.01	\$ 259.71	\$ 275.29	\$ 291.81	\$ 309.31
Low Tier 2 User	4,000	\$ 384.10	\$ 420.59	\$ 445.82	\$ 472.57	\$ 500.93	\$ 530.98
Mid Tier 2 User	15,000	\$ 1,655.70	\$ 1,812.99	\$ 1,921.77	\$ 2,037.08	\$ 2,159.30	\$ 2,288.86
High Tier 2 User	25,000	\$ 2,811.70	\$ 3,078.81	\$ 3,263.54	\$ 3,459.35	\$ 3,666.91	\$ 3,886.93
Large User	75,000	\$ 10,355.70	\$ 11,339.49	\$ 12,019.86	\$ 12,741.05	\$ 13,505.52	\$ 14,315.85

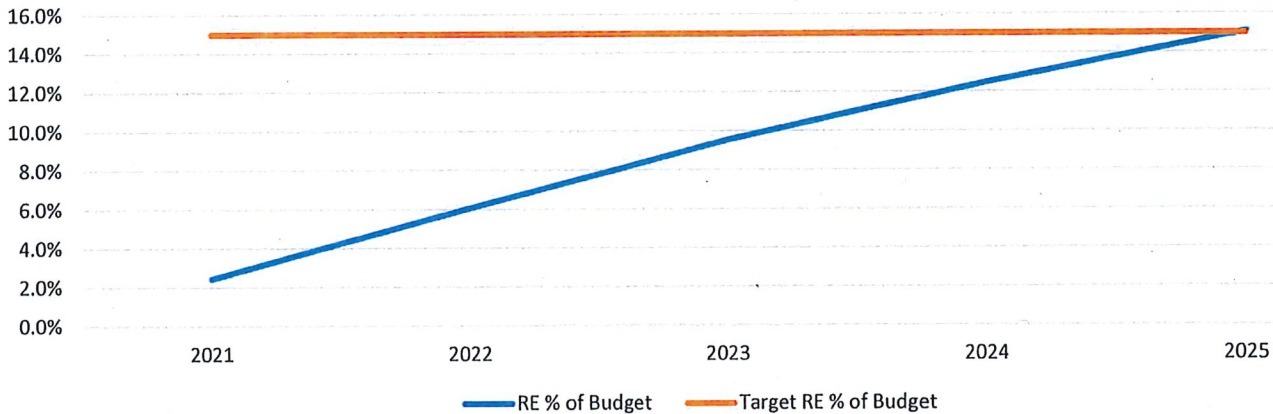
Town of Watertown
Sewer Rate Study

5-Year Analysis - Option 2

Rate Increases:	9.5%	9.5%	4.0%	4.0%	4.0%
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Rate Impact	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (162,991)	\$ 414,141	\$ 428,500	\$ 402,545	\$ 389,952
Projected Retained Earnings	\$ 260,713	\$ 674,854	\$ 1,103,354	\$ 1,505,899	\$ 1,895,851
RE % of Budget	2.4%	6.1%	9.5%	12.5%	15.1%
Target RE % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%

Retained Earnings Projections - with Rate Changes



User Impact (per Bill) - Sewer Bills Only			New Bills				
User Type	Usage	Current Bill	FY21	FY22	FY23	FY24	FY25
High Tier 1 User	2,500	\$ 223.75	\$ 245.01	\$ 268.28	\$ 279.01	\$ 290.17	\$ 301.78
Low Tier 2 User	4,000	\$ 384.10	\$ 420.59	\$ 460.55	\$ 478.97	\$ 498.13	\$ 518.05
Mid Tier 2 User	15,000	\$ 1,655.70	\$ 1,812.99	\$ 1,985.23	\$ 2,064.63	\$ 2,147.22	\$ 2,233.11
High Tier 2 User	25,000	\$ 2,811.70	\$ 3,078.81	\$ 3,371.30	\$ 3,506.15	\$ 3,646.40	\$ 3,792.25
Large User	75,000	\$ 10,355.70	\$ 11,339.49	\$ 12,416.74	\$ 12,913.41	\$ 13,429.95	\$ 13,967.15

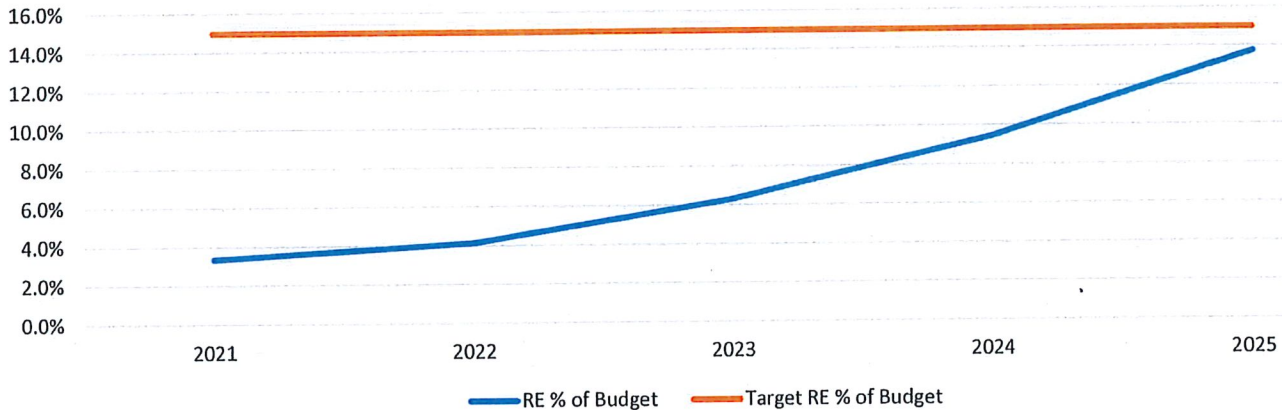
Town of Watertown
Sewer Rate Study

5-Year Analysis - Option 3

Rate Increases:	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Tier 1	6.5%	5.5%	5.5%	5.5%	5.5%
Tier 2	13.0%	5.5%	5.5%	5.5%	5.5%
Tier 3	19.5%	5.5%	5.5%	5.5%	5.5%

Rate Impact	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (64,517)	\$ 100,880	\$ 269,302	\$ 412,735	\$ 585,972
Projected Retained Earnings	\$ 359,187	\$ 460,067	\$ 729,369	\$ 1,142,104	\$ 1,728,076
RE % of Budget	3.4%	4.1%	6.3%	9.5%	13.7%
Target RE % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%

Retained Earnings Projections - with Rate Changes



User Impact (per Bill) - Sewer Bills Only			New Bills				
User Type	Usage	Current Bill	FY21	FY22	FY23	FY24	FY25
High Tier 1 User	2,500	\$ 223.75	\$ 238.29	\$ 251.40	\$ 265.23	\$ 279.81	\$ 295.20
Low Tier 2 User	4,000	\$ 384.10	\$ 416.58	\$ 439.49	\$ 463.66	\$ 489.17	\$ 516.07
Mid Tier 2 User	15,000	\$ 1,655.70	\$ 1,853.49	\$ 1,955.43	\$ 2,062.98	\$ 2,176.44	\$ 2,296.15
High Tier 2 User	25,000	\$ 2,811.70	\$ 3,159.77	\$ 3,333.56	\$ 3,516.90	\$ 3,710.33	\$ 3,914.40
Large User	75,000	\$ 10,355.70	\$ 12,137.28	\$ 12,804.83	\$ 13,509.09	\$ 14,252.09	\$ 15,035.96

FY 2021 WATER ENTERPRISE FUND

	FY 2019 EXP. & ENC.	FY 2020 ORIGINAL BUDGET	FY 2020 REVISED BUDGET	FY 2021 LEVEL SERVICE BUDGET	FY 2021 ADDITIONAL FUNDING REQUESTS	MANAGER RECOMMENDS
600051 WATER PERSONNEL						
510111 FULL TIME SALARIES	\$ 650,128	\$ 749,187	\$ 749,187	\$ 757,802	\$ 143,182	\$ 832,802
510112 PART TIME SALARIES	\$ 4,224	\$ 11,040	\$ 11,040	\$ 14,400		\$ 14,400
510130 OVERTIME	\$ 230,372	\$ 193,200	\$ 193,200	\$ 201,500		\$ 201,500
510141 SHIFT DIFFERENTIAL	\$ 1,456	\$ 1,467	\$ 1,467	\$ 1,670		\$ 1,670
510143 LONGEVITY	\$ 29,075	\$ 30,875	\$ 30,875	\$ 25,950		\$ 25,950
510145 DPW LICENSES/CERTIFICATIONS	\$ 2,200	\$ 3,250	\$ 3,250	\$ 5,250		\$ 5,250
510190 CLOTHING ALLOWANCE	\$ 5,400	\$ 5,400	\$ 5,400	\$ 6,075		\$ 6,075
510192 MEALS ALLOWANCE	\$ -	\$ 2,000	\$ 2,000	\$ 2,000		\$ 2,000
510195 ONE TIME PAYMENT	\$ -					
511111 PRIOR YEAR FULL TIME SALARIES	\$ -					
TOTAL WATER PERSONNEL	\$ 922,855	\$ 996,419	\$ 996,419	\$ 1,014,647	\$ 143,182	\$ 1,089,648
600052 WATER EXPENSES						
520244 COMPUTER MAINTENANCE	\$ 9,103	\$ 16,600	\$ 16,600	\$ 16,600		\$ 16,600
520272 STREET REPAIR SERVICES	\$ 78,579	\$ 83,000	\$ 83,000	\$ 83,000		\$ 83,000
520273 SIDEWALK REPAIR SERVICES	\$ 21,583	\$ 30,000	\$ 30,000	\$ 30,000		\$ 30,000
530303 CONTRACTED SERVICES	\$ 24,991	\$ 25,000	\$ 25,000	\$ 30,000		\$ 30,000
540422 PRINTING & FORMS	\$ 20,571	\$ 23,000	\$ 23,000	\$ 23,000		\$ 23,000
540432 TOOLS	\$ 10,899	\$ 17,500	\$ 17,500	\$ 17,500		\$ 17,500
550531 WATER MATERIALS & SUPPLIES	\$ 151,040	\$ 170,000	\$ 170,000	\$ 170,000		\$ 170,000
560671 MWRA ASSESSMENTS	\$ 3,696,371	\$ 3,899,172	\$ 3,899,172	\$ 3,935,832		\$ 3,935,832
570780 RESERVE FUND	\$ -	\$ 25,000	\$ 25,000	\$ 25,000		\$ 25,000
TOTAL WATER EXPENSES	\$ 4,013,137	\$ 4,289,272	\$ 4,289,272	\$ 4,330,932	\$ -	\$ 4,330,932
600058 WATER CAPITAL						
580840 IMPROVEMENTS	\$ 199,495	\$ 200,000	\$ 200,000	\$ 200,000		\$ 200,000
580870 REPLACEMENT OF EQUIPMENT	\$ 35,922	\$ 36,000	\$ 36,000	\$ 36,000		\$ 36,000
TOTAL WATER CAPITAL	\$ 235,417	\$ 236,000	\$ 236,000	\$ 236,000	\$ -	\$ 236,000
600059 WATER OTHER FINANCING USES						
590910 RETIREMENT OF DEBT PRINCIPAL	\$ 586,824	\$ 706,936	\$ 706,936	\$ 766,300		\$ 766,300
590915 INTEREST ON LONG TERM DEBT	\$ 17,891	\$ 34,843	\$ 34,843	\$ 103,663		\$ 103,663
590973 TRANSFER TO CAP PROJECT/WATER	\$ 250,000	\$ 500,000	\$ 500,000	\$ 250,000		\$ 250,000
596100 TRANSFER TO GENERAL FUND	\$ 1,648,500	\$ 1,631,808	\$ 1,631,808	\$ 1,588,520		\$ 1,588,520
596502 TRANSFER TO CAPITAL PROJECTS						
TOTAL WATER OTHER FINANC USES	\$ 2,503,215	\$ 2,873,587	\$ 2,873,587	\$ 2,708,483	\$ -	\$ 2,708,483
TOTAL WATER	\$ 7,674,624	\$ 8,395,278	\$ 8,395,278	\$ 8,290,062	\$ 143,182	\$ 8,365,063

COMPENSATION WORKSHEET

CLOTH												
FY20				FY21		FY21		CLOTH				
HIRE		FY20		FY21		FY21		CLOTH		CLOTH		
NAME	TITLE	DATE	# HRS	GRADE/STEP	ANNUAL	GRADE/STEP	ANNUAL	LONG	SHOE	SHIFT	TOTAL	
Pelletier	Asst. Superintendent, Utilities	08/28/86	40	15L-8	\$95,147	15L-8	\$95,147	\$3,950	\$450		\$99,547	
Graham	Supervisor, Water	11/18/91	40	G13L / 04	\$77,411	G13L / 05	\$79,734	\$3,950	\$450		\$84,134	
Haley	Principal Account Clerk	04/25/90	37.5	3C-8	\$56,105	3C-8	\$56,105	\$3,950			\$60,055	
Pirozzi	Working Foreman/HEO	07/11/11	40	DPW5/2	\$65,374	DPW5/3	\$60,559	\$1,125	\$575		\$62,259	
Haggerty	HEO	01/04/99	40	DPW4/8	\$62,472	DPW4/8	\$63,722	\$2,950	\$575		\$67,247	
Calo	HEO	03/10/14	40	DPW4/5	\$58,296	DPW4/6	\$60,949	\$1,125	\$575	\$1.670	\$64,320	
Vacant	Working Foreman/HEO		40	DPW5/6	\$63,936	DPW6/7	\$66,845		\$575		\$67,420	
Anastasi	Skilled Craftsman	10/14/93	40	DPW3/8	\$58,385	DPW3/8	\$59,553	\$3,700	\$575		\$63,828	
Hopkins	MEO	05/21/01	40	DPW2/8	\$54,566	DPW2/8	\$55,657	\$2,950	\$575		\$59,182	
Vacant	MEO		40	DPW 2/4	\$49,676	DPW 2/5	\$51,936		\$575		\$52,511	
Vacant	MEO		40	DPW 2/7	\$53,496	DPW 2/8	\$55,657	\$1,125	\$575		\$57,357	
Breen	MEO	10/11/16	40	DPW 2/4	\$49,676	DPW 2/5	\$51,936	\$1,125	\$575		\$53,636	
										OVERTIME		
										\$201,500		
										PART-TIME SALARIES		
										\$14,400		
										CERTIFICATIONS		
										\$5,250		
										MEALS ALLOWANCE		
										\$2,000		
DEPARTMENT TOTALS								\$757,802	\$25,950	\$6,075	\$1,670	\$1,014,647

**SUPPLIES AND SERVICES
EXPENDITURE WORKSHEET
FISCAL YEAR 2021**

ACCOUNT ORG		ACCOUNT OBJECT	ACCOUNT TITLE	DEPARTMENT:		DPW-WATER		INFORM. TECH.	DESCRIPTION
						FY 2020 REVISED BUDGET	FY 2021 LEVEL SERVICE BUDGET		
600052		520244	COMPUTER MAINTENANCE			\$16,600	\$16,600		Computers, scanning supplies, etc.
							\$16,600		
600052		520272	STREET REPAIR SERVICES			\$83,000	\$83,000		Asphalt, crushed gravel, details for repairs, etc.
							\$83,000		
600052		520273	SIDEWALK REPAIR SERVICES			\$30,000	\$30,000		Concrete, asphalt, related items for curb stops, etc.
							\$30,000		
600052		530303	CONTRACTED SERVICES			\$25,000	\$30,000		Water quality testing, leak detection, etc.
							\$30,000		
600052		540422	PRINTING & FORMS			\$23,000	\$23,000		Water bills, envelopes, etc., flushing notices, door hangers
							\$23,000		
600052		540432	TOOLS			\$17,500	\$17,500		Bolts, screws, hose, batteries, hand tools, etc.
							\$17,500		
600052		550531	WATER MATERIALS & SUPPLIES			\$170,000	\$170,000		Pipe, tubing, couplings, valves, boxes, etc.
							\$170,000		
600052		560671	MWRA ASSESSMENTS			\$3,899,172	\$3,935,832		FY 2021 MWRA Water Assessment
							\$3,935,832		
600052		570780	RESERVE FUND			\$25,000	\$25,000		Amount for reserve fund
							\$25,000		
TOTALS						\$4,289,272	\$4,330,932		

**OPERATING CAPITAL
EXPENDITURE WORKSHEET
FISCAL YEAR 2021**

DEPARTMENT:		DPW-WATER					
ACCOUNT ORG	ACCOUNT OBJECT	ACCOUNT TITLE	FY 2020		FY 2021		DESCRIPTION
			REVISED BUDGET	LEVEL SERVICE BUDGET	INFORM. TECH.	BUDGET	
600058	580840	IMPROVEMENTS	\$200,000	\$200,000			Engineering services for plans, inspections, and in house improvements
				\$200,000			
600058	580870	REPLACEMENT OF EQUIPMENT	\$36,000	\$36,000			Meter reading equipment, replacement of equipment that fails throughout the year.
				\$36,000			
			\$236,000	\$236,000			

FY 2021 SEWER ENTERPRISE FUND

	FY 2019 EXP. & ENC.	FY 2020 ORIGINAL BUDGET	FY 2020 REVISED BUDGET	FY 2021 LEVEL SERVICE BUDGET	FY 2021 ADDITIONAL FUNDING REQUESTS	MANAGER RECOMMENDS
610051 SEWER PERSONNEL						
510111 FULL TIME SALARIES	\$ 328,676	\$ 395,578	\$ 395,578	\$ 408,954		\$ 408,954
510130 OVERTIME	\$ 115,204	\$ 134,850	\$ 134,850	\$ 140,750		\$ 140,750
510141 SHIFT DIFFERENTIAL	\$ 5,096	\$ 5,135	\$ 5,135	\$ 5,846		\$ 5,846
510143 LONGEVITY	\$ 7,033	\$ 7,350	\$ 7,350	\$ 9,000		\$ 9,000
510190 CLOTHING ALLOWANCE	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,875		\$ 2,875
510192 MEALS ALLOWANCE	\$ -	\$ 2,000	\$ 2,000	\$ 2,000		\$ 2,000
510195 ONE TIME PAYMENT	\$ -					
TOTAL SEWER PERSONNEL	\$ 458,509	\$ 547,413	\$ 547,413	\$ 569,425	\$ -	\$ 569,425
610052 SEWER EXPENSES						
520271 RENTAL OF EQUIPMENT	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000		\$ 35,000
520272 STREET REPAIR SERVICES	\$ 67,497	\$ 67,500	\$ 67,500	\$ 67,500		\$ 67,500
520273 SIDEWALK REPAIR SERVICES	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000		\$ 35,000
530303 CONTRACTED SERVICES	\$ 224,780	\$ 225,000	\$ 225,000	\$ 225,000		\$ 225,000
540432 TOOLS	\$ 6,280	\$ 8,500	\$ 8,500	\$ 8,500		\$ 8,500
550534 SEWER MATERIALS & SUPPLIES	\$ 88,293	\$ 90,000	\$ 90,000	\$ 90,000		\$ 90,000
560671 MWRA ASSESSMENTS	\$ 6,357,733	\$ 6,735,163	\$ 6,735,163	\$ 6,648,177		\$ 6,648,177
570780 RESERVE FUND	\$ -	\$ 20,000	\$ 20,000	\$ 20,000		\$ 20,000
TOTAL SEWER EXPENSES	\$ 6,814,583	\$ 7,216,163	\$ 7,216,163	\$ 7,129,177	\$ -	\$ 7,129,177
610058 SEWER CAPITAL						
580840 IMPROVEMENTS	\$ 797,916	\$ 800,000	\$ 800,000	\$ 800,000		\$ 800,000
580860 ADDITIONAL EQUIPMENT	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000		\$ 175,000
580870 REPLACEMENT OF EQUIPMENT	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000		\$ 80,000
TOTAL SEWER CAPITAL	\$ 1,052,916	\$ 1,055,000	\$ 1,055,000	\$ 1,055,000	\$ -	\$ 1,055,000
610059 SEWER OTHER FINANCING USES						
590910 RETIREMENT OF DEBT PRINCIPAL	\$ 332,928	\$ 505,690	\$ 505,690	\$ 418,690		\$ 418,690
590915 INTEREST ON LONG TERM DEBT	\$ 33,267	\$ 86,968	\$ 86,968	\$ 41,093		\$ 41,093
590974 TRANSFER TO CAP. PROJECT/SEWER	\$ 250,000	\$ -	\$ -	\$ -		\$ -
596100 TRANSFER TO GENERAL FUND	\$ 1,524,642	\$ 1,534,390	\$ 1,534,390	\$ 1,491,802		\$ 1,491,802
596502 TRANSFER TO CAPITAL PROJECTS	\$ -					
TOTAL SEWER OTHER FINANCING USES	\$ 2,140,837	\$ 2,127,048	\$ 2,127,048	\$ 1,951,585	\$ -	\$ 1,951,585
TOTAL SEWER	\$ 10,466,845	\$ 10,945,624	\$ 10,945,624	\$ 10,705,187	\$ -	\$ 10,705,187

COMPENSATION WORKSHEET

NAME	TITLE	HIRE DATE	# HRS	FY20		FY21		CLOTH			
				GRADE/ STEP	ANNUAL	GRADE/ STEP	ANNUAL	LONG	SHOE	SHIFT	TOTAL
Cashin A.	Working Foreman/Heo	11/21/96	40	DPW5/8	\$66,845	DPW5/8	\$68,182	\$3,700	\$575		\$72,457
Degeis R.	HEO	02/25/08	40	DPW4/8	\$62,472	DPW4/8	\$63,722	\$1,625	\$575	\$4,176	\$70,098
O'Brien K.	HEO	03/31/05	40	DPW4/8	\$62,472	DPW4/8	\$63,722	\$2,050	\$575	\$1,670	\$68,017
Malone J.	MEO	03/12/18	40	DPW 2/2	\$47,282	DPW 2/3	\$49,434		\$575		\$50,009
Vacant	Skilled Craftsman		40	DPW 3/7	\$57,240	DPW 3/8	\$59,553	\$1,625	\$575		\$61,753
Duffy K.	Project Engineer	02/11/19	37.5	GRADE3/10	\$86,941	GRADE3/10	\$86,941				\$86,941
	Engineering Intern						\$17,400				\$17,400
										OVERTIME	\$140,750
										MEALS ALLOWANCE	\$2,000
DEPARTMENT TOTALS							\$408,954	\$9,000	\$2,875	\$5,846	\$569,425

PUBLIC WORKS FY21
SEWER DIVISION

**SUPPLIES AND SERVICES
EXPENDITURE WORKSHEET
FISCAL YEAR 2021**

		DEPARTMENT:		DPW-SEWER			
ACCOUNT ORG	ACCOUNT OBJECT	ACCOUNT TITLE	FY 2020		FY 2021		DESCRIPTION
			REVISED BUDGET	INFORM. TECH.	LEVEL SERVICE BUDGET	INFORM. TECH.	
610052	520271	RENTAL OF EQUIPMENT	\$35,000		\$35,000		Response Equipment, Removal of Material
					\$35,000		
610052	520272	STREET REPAIR SERVICES	\$67,500		\$67,500		Asphalt, crushed gravel, details for repairs, etc.
					\$67,500		
610052	520273	SIDEWALK REPAIR SERVICES	\$35,000		\$35,000		Concrete, asphalt, related items for curb stops, etc.
					\$35,000		
610052	530303	CONTRACTED SERVICES	\$225,000		\$225,000		Dye Testing, Camera Inspection, Cleaning, System Evaluation and Reporting
					\$225,000		
610052	540432	TOOLS	\$8,500		\$8,500		Bolts, screws, hose, batteries, hand tools, etc.
					\$8,500		
610052	550534	SEWER MATERIALS & SUPPLIES	\$90,000		\$90,000		Cleaners, Pipe, Couplings, etc.
					\$90,000		
610052	560671	MWRA ASSESSMENTS	\$6,735,163		\$6,648,177		FY 21 MWRA Sewer Assessment
					\$6,648,177		
610052	570780	RESERVE FUND	\$20,000		\$20,000		Amount for reserve fund
					\$20,000		
			\$7,216,163		\$7,129,177		

**OPERATING CAPITAL
EXPENDITURE WORKSHEET
FISCAL YEAR 2021**

DEPARTMENT:			DPW-SEWER				
ACCOUNT ORG	ACCOUNT OBJECT	ACCOUNT TITLE	FY 2020		FY 2021		DESCRIPTION
			REVISED BUDGET	LEVEL SERVICE BUDGET	INFORM. TECH.		
610058	580840	IMPROVEMENTS	\$800,000	\$800,000			
				\$800,000			
610058	580860	ADDITIONAL EQUIPMENT	\$175,000	\$175,000			
				\$175,000			
610058	580870	REPLACEMENT OF EQUIPMEN	\$80,000	\$80,000			
				\$80,000			
			\$1,055,000	\$1,055,000			



TOWN OF WATERTOWN

DEPARTMENT OF PUBLIC WORKS

124 ORCHARD STREET

WATERTOWN MA 02472

(P) 617-972-6420

(F) 617-972-6402

Gerald S. Mee Jr.
Superintendent

TO: Michael J. Driscoll – Town Manager

FROM: Jesse Myott – Director of Administration & Finance, DPW

DATE: July 8, 2020

RE: Water and Sewer Study Presentation – July 14, 2020

Sir,

As a follow-up to Mr. Tracy's email to the Honorable Town Council dated June 24, 2020, I have attached, for your review, an informational presentation highlighting the water and sewer rate study and proposed Fiscal Year 2021 water and sewer rates to be considered for the July 14, 2020 Town Council agenda.

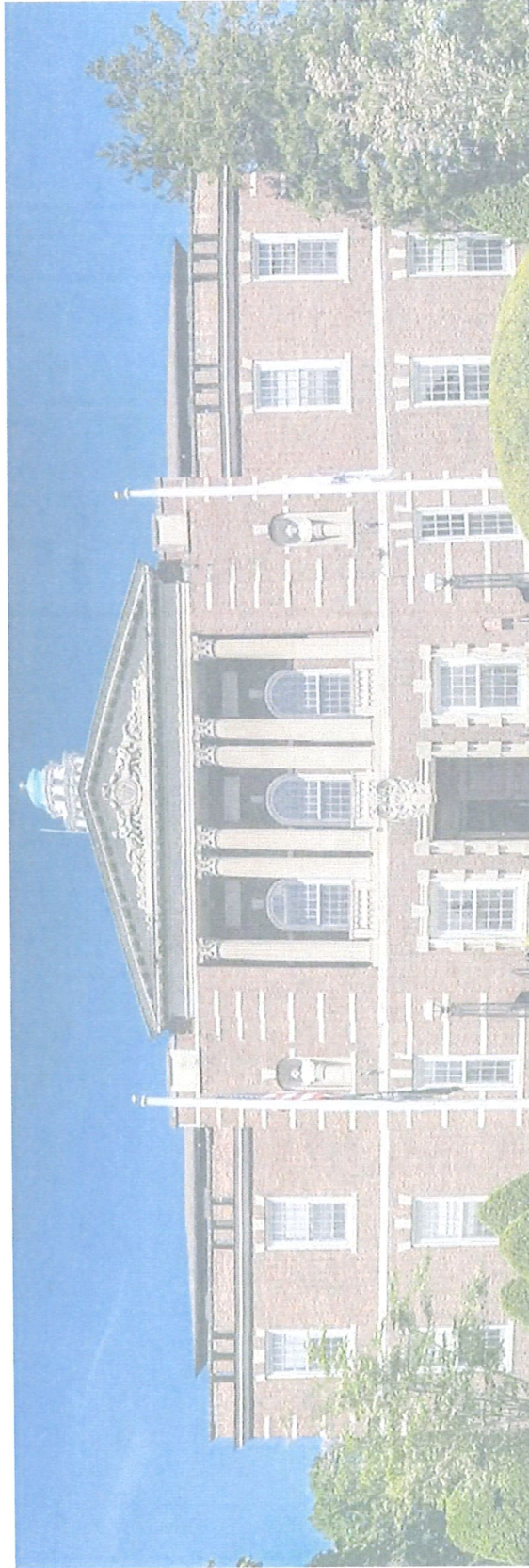
As you recall, the Auditors Department and the Department of Public Works commissioned Weston & Sampson to review actual and projected water and sewer consumption data in Fiscal Year 2020 as well as projected revenues and expenses for Fiscal Year 2021 and provide guidance on setting rates for Fiscal Year 2021. The commission also included reviewing the Town's rate-setting policy objectives and cost-recovery and retention goals; a detailed review of the Town's existing rate structure and charges coupled with a comparison to neighboring communities rates'; a review of the planned water and sewer capital improvements projects and the financing assumptions associated with said projects; a refinement of indirect cost allocation methodology; and, a review of non-meter revenue requirements in an attempt to identify any structural deficiencies that may be evident with non-meter revenue generation. The proposed Fiscal Year 2021 Water and Sewer rates will incorporate the results of the analysis and recommendations, for which the final report was provided on June 24, 2020.

The attached presentation will highlight the analysis and recommendations included in the report and offer the Honorable Town Council and opportunity to provide feedback and ask questions of Weston & Sampson staff regarding assumptions, findings and recommendations.

Respectfully Submitted,

Jesse Myott
Director of Administration & Finance - DPW

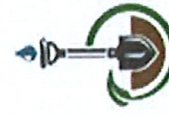
Water & Sewer Rates – FY 2021



Town of Watertown

July 14, 2020

Weston & SampsonSM



WATERTOWN
Department of Public Works

Introductions

Matt Abrahams

Mark Abrahams

Margaret McCarthy



Weston & SampsonSM



Study Objectives

- Recommend rate increase for 5-year study window that will generate sufficient revenue to fund:
 - Operational costs
 - Indirect costs
 - Debt service costs
 - Capital improvements
- Start to replenish retained earnings to industry recommended 15% to 20% of budget
- Review current rate structure in comparison to peer communities
- Review indirect cost allocations



Assumptions/Observations

- Retained earnings to provide for FY 20 shortfalls
- MWRA Assessment
 - Water 47% of budget and increasing 3.5%/year
 - Sewer 62% of budget and increasing 4.0%/year
- Water & Sewer Enterprise Funds are experiencing shortfalls
- Weather variations have impacted usage



Weston & SampsonSM



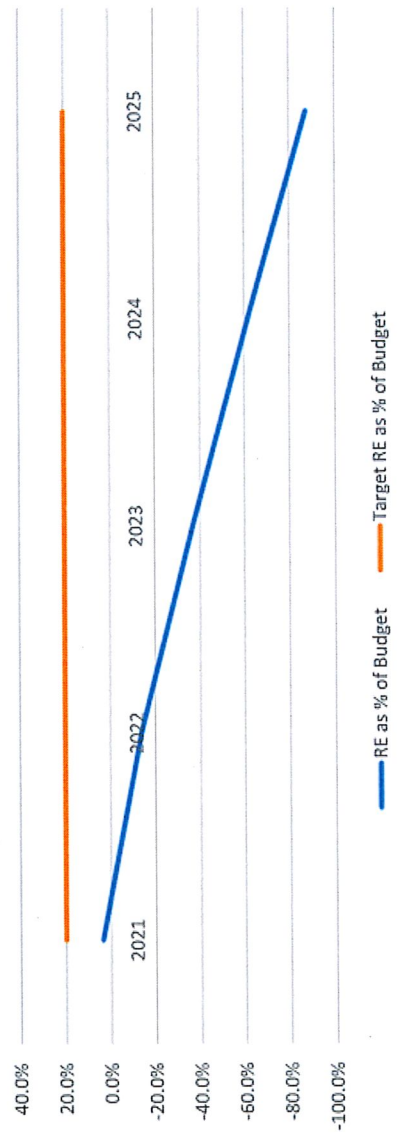
WATERTOWN
Department of Public Works

Baseline – Do Nothing (Water)

Changed to 15%
for
recommendations

Baseline	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (974,434)	\$ (1,498,167)	\$ (2,041,349)	\$ (2,399,747)	\$ (2,625,858)
Projected Retained Earnings	\$ 308,248	\$ (1,189,919)	\$ (3,481,268)	\$ (5,881,015)	\$ (8,756,873)
RE as % of Budget	3.7%	-13.8%	-36.9%	-61.6%	-87.4%
Target RE as % of Budget	20.0%	20.0%	20.0%	20.0%	20.0%

Retained Earnings Projections - Baseline Scenario

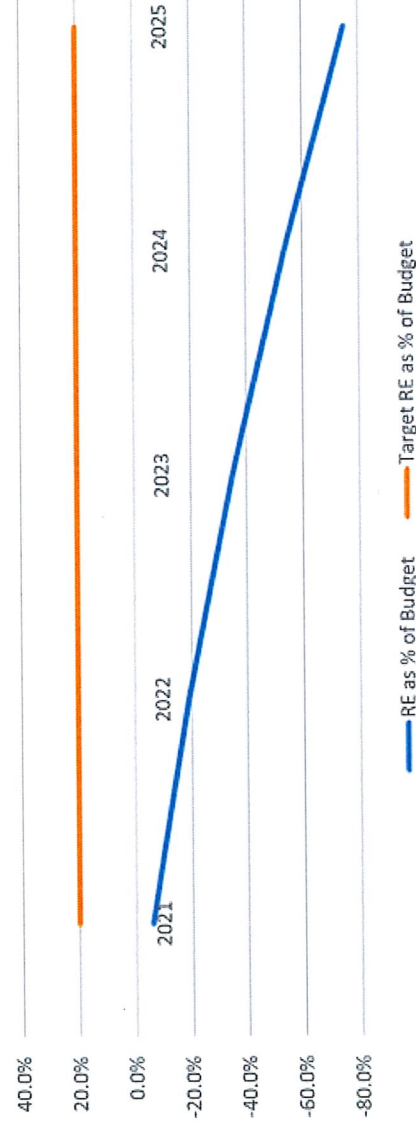


Baseline – Do Nothing (Sewer)

Baseline	2021	2022	2023	2024	2025
Surplus/Deficit	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	\$ (1,067,769)	\$ (1,481,371)	\$ (1,923,791)	\$ (2,424,797)	\$ (2,931,444)
Projected Retained Earnings	\$ (644,065)	\$ (2,125,436)	\$ (4,049,227)	\$ (6,474,024)	\$ (9,405,468)
RE as % of Budget	-6.0%	-19.1%	-35.0%	-53.7%	-74.8%
Target RE as % of Budget	20.0%	20.0%	20.0%	20.0%	20.0%

Changed to 15%
for
recommendations

Retained Earnings Projections - Baseline Scenario



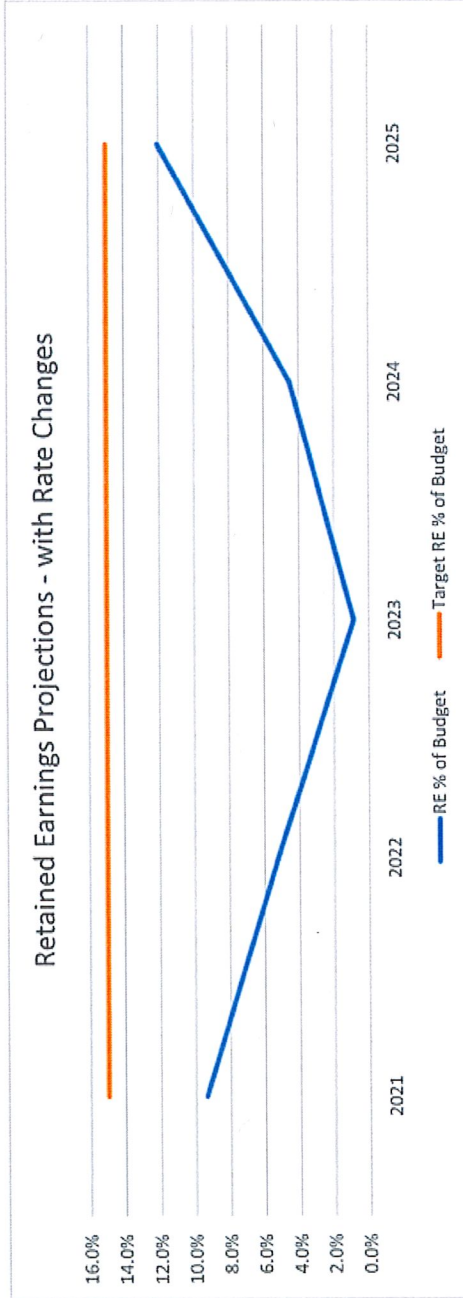
WATERTOWN
Department of Public Works

Weston & SampsonSM

Rate Recommendation – Water

Rate Increases:	7.0%	9.5%	9.5%	9.5%
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Rate Impact	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (499,148)	\$ (332,698)	\$ (120,129)	\$ 349,020	\$ 1,029,073
Projected Retained Earnings	\$ 783,534	\$ 450,836	\$ 80,707	\$ 429,727	\$ 1,208,800
RE % of Budget	9.4%	5.2%	0.9%	4.5%	12.1%
Target RE % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%

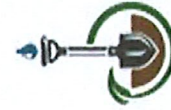
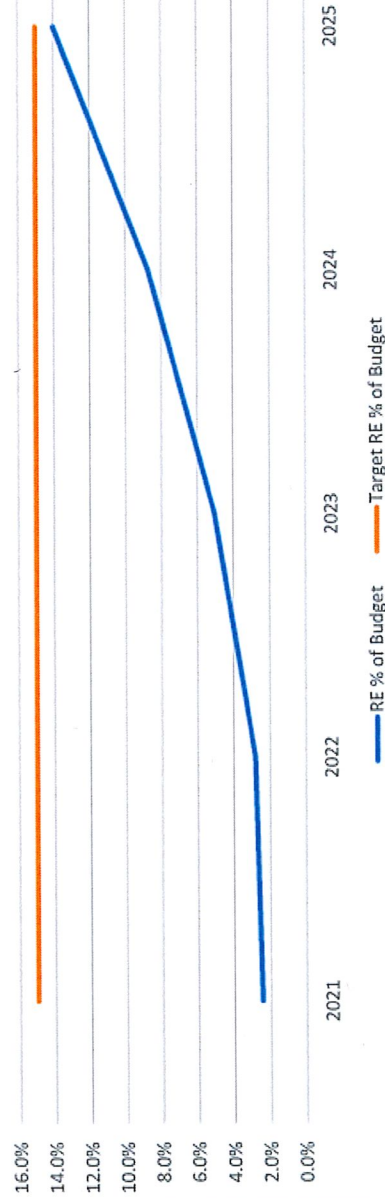


Rate Recommendation – Sewer

Rate Increases:	9.5%	6.0%	6.0%	6.0%
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Rate Impact	2021 PROJECTED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED	2025 PROJECTED
Surplus/Deficit	\$ (162,991)	\$ 49,134	\$ 269,983	\$ 472,042	\$ 710,646
Projected Retained Earnings	\$ 260,713	\$ 309,847	\$ 579,830	\$ 1,051,872	\$ 1,762,518
RE % of Budget	2.4%	2.8%	5.0%	8.7%	14.0%
Target RE % of Budget	15.0%	15.0%	15.0%	15.0%	15.0%

Retained Earnings Projections - with Rate Changes



WATERTOWN
Department of Public Works

Weston & SampsonSM

Total Bill Impact FY-2021 (Quarterly)

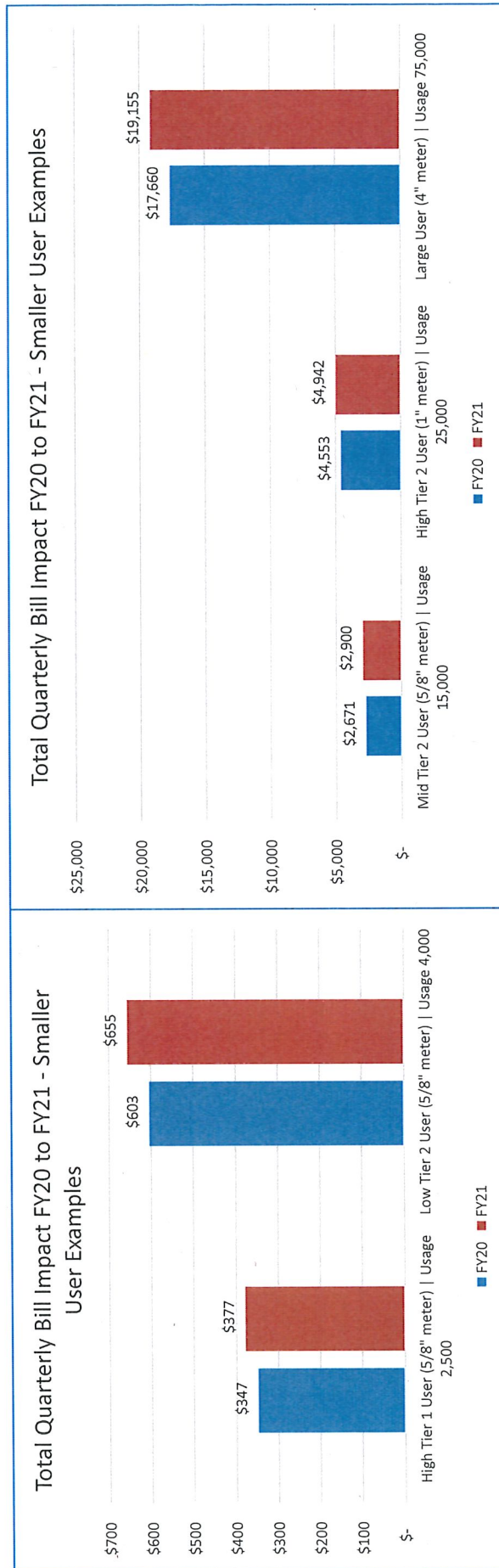
Meter	Consumption (cu. ft)	FY 2020			FY 2021			Difference	
		Water	Sewer	Total	Water	Sewer	Total	\$	%
5/8"	2,500	\$123.64	\$223.75	\$347.39	\$132.29	\$245.01	\$377.30	\$29.91	8.6%
5/8"	4,000	\$219.34	\$384.10	\$603.44	\$234.69	\$420.59	\$655.28	\$51.84	8.6%
5/8"	15,000	\$1,015.74	\$1,655.70	\$2,671.44	\$1,086.84	\$1,812.99	\$2,899.83	\$228.39	8.5%
1"	25,000	\$1,741.57	\$2,811.70	\$4,553.27	\$1,863.48	\$3,078.81	\$4,942.29	\$389.02	8.5%
4"	75,000	\$7,304.18	\$10,355.70	\$17,659.88	\$7,815.47	\$11,339.49	\$19,154.96	\$1,495.08	8.5%



Weston & SampsonSM



Total Bill Impact FY 2021 (Quarterly)



Weston & SampsonSM



Indirect Costs Methodology Review

- The following recommendations came out of the review:
 - Consider using prior year actuals instead of budget for costs inputted into model
 - Recommendations for potential changes to existing allocations
 - Potential additional allocations for consideration



Weston & SampsonSM



Additional Recommendations

- Annual review and update to water and sewer analysis
- Management Analyst Position to be filled
- Closely monitor usage trends
- Review tier structure
- Upgrade meters and meter reading systems



Discussion



Weston & SampsonSM



Thank you

westonandsampson.com



Weston & SampsonSM



RESOLUTION/ ORDER

WHEREAS, the Federal American Rescue Plan (ARPA) is a response by the federal government to address the Covid 19 pandemic by distributing \$1.9 trillion in federal dollars, and in particular a direct allocation of \$350 billion to state, county and municipal governments;

WHEREAS, the state Department of Revenue has estimated that the Town of Watertown is slated to receive an additional, unplanned \$7 million, beyond the \$3.5million that Watertown has previously received for direct Covid-related reimbursements, in direct municipal aid distribution to achieve the Covid recovery goals of ARPA;

WHEREAS, the new ARPA Funds may be used to replace revenue lost or reduced as a result of the pandemic, fund COVID-related costs, provide support to aid households and businesses impacted by the crisis, invest in economic recovery and renewal, fund investments in water, sewer and broadband infrastructure and other unique purposes;

WHEREAS, the spending purposes of the federal government funds are much broader than the spending purposes for which Watertown may appropriate local tax revenues and state funds;

WHEREAS, the new revenues present once in a lifetime, unprecedented opportunities to allow Watertown to move in many positive directions, based upon the Town's prioritization of funding purposes presented with the ARPA funds;

WHEREAS, any and all spending decisions for use of the ARPA funds requires an appropriation by Town Council;

AND WHEREAS, the Committee on Budget and Fiscal Oversight is charged with organizing Town Council budget and policy priority guidelines for the Town's annual budget, and the Watertown Home Rule Charter instructs that the Town Council shall provide policy guidance to the Town Manager;

NOW THEREFORE, BE IT RESOLVED/ORDERED that this Town Council make a referral to the Committee on Budget and Fiscal Oversight to convene and plan budget and policy prioritization for the spending of the Town's once in a lifetime ARPA funds in a manner that reflects the priorities of the Town Council.