

CITY OF NEWTON

IN BOARD OF ALDERMEN

PUBLIC FACILITIES AND FINANCE COMMITTEES AGENDA

PUBLIC HEARING

MONDAY, DECEMBER 7, 2009

7:00 pm
Aldermanic Chamber

ITEM TO BE DISCUSSED:

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

#70-09(8) HIS HONOR THE MAYOR submitting proposed mid-year rate changes, effective January 1, 2010, to the FY10 Water and Sewer rates as most recently amended by Ordinance Z-49, dated 5/18/09, to eliminate the anticipated revenue shortfall in the Sewer Fund and in concert with docket #70-09(9) to amend the Water and Sewer budgets. [11/10/09 @ 5:57 PM]

Respectfully submitted,

Paul E. Coletti, Chair
Finance Committee

Sydra Schnipper, Chair
Public Facilities Committee

CITY OF NEWTON
BOARD OF ALDERMEN
LEGAL NOTICE
FY10 WATER/SEWER RATES
PUBLIC HEARING
MONDAY, DECEMBER 7, 2009
7:00 PM, ALDERMANIC CHAMBER
SECOND FLOOR, NEWTON CITY HALL

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

#70-09(8) HIS HONOR THE MAYOR submitting proposed mid-year rate changes, effective January 1, 2010, to the FY10 Water and Sewer rates as most recently amended by Ordinance Z-49, dated 5/18/09, to eliminate the anticipated revenue shortfall in the Sewer Fund and in concert with docket #70-09(9) to amend the Water and Sewer budgets. [11/10/09 @ 5:57 PM]

Notice published in the News Tribune on November 24 and December 1, 2009 and in the Newton Tab on November 25 and December 2, 2009.



David B. Cohen
Mayor

City of Newton, Massachusetts
Office of the Mayor

November 10, 2010

#70-09(8)

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CITY CLERK
NEWTON, MA 02459

NOV 10 PM 5:57

Honorable Board of Aldermen
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

Ladies and Gentlemen

I write to request that your Honorable Board change the Revised Ordinances to implement new water and sewer rates effective January 1, 2010.

HCF Per Quarter	Water Rate per HCF		Sewer Rate per HCF	
	Old	New	Old	New
0 - 20	\$4.35	\$3.27	\$6.81	\$7.89
21 - 70	\$5.22	\$3.93	\$8.17	\$9.47
> 70	\$6.26	\$4.72	\$9.80	\$11.36

The Water fund currently has a surplus balance and the sewer fund has a growing deficit based primarily on less than projected revenues due to the wet summer of 2009. For the months of June through September 2009, Newton purchased 16.1% less water from MWRA than on average for the same months from FY02-08. The proposed adjustments are structured to be essentially neutral to the rate payer by increasing the sewer rate by \$1.08 and correspondingly decreasing the water rate by \$1.08 per tier. DPW is proposing to draw upon the Water fund surplus, with a current available balance of \$3,285,139 as of the end of FY09, as the resource to address the projected year end shortfall.

This proposed rate change is part of a plan to eliminate the anticipated revenue shortfall in the Sewer fund and works in concert with my request to amend the Water and Sewer Budgets and implement mid-year rate changes for Water and Sewer operations.

The Department of Revenue has been watching the decline in the Sewer fund for the past several years and will be looking for a plan to address this decline in revenue as part of the review and approval of the FY10 tax rate. Failure to adopt these measures could delay approval and impact the city's ability to issue timely tax bills for the third quarter.

Very truly yours,

David B. Cohen
Mayor

1000 Commonwealth Avenue Newton, Massachusetts 02459

www.ci.newton.ma.us



DEDICATED TO COMMUNITY EXCELLENCE

PF/K



David B. Cohen
Mayor

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Office of the Mayor

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November 10, 2009

09 NOV 10 PM 5:57
CITY CLERK
NEWTON, MA 02459

Honorable Board of Aldermen
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

Ladies and Gentlemen:

I write to request that your Honorable Board docket for consideration an amendment to the FY10 Water revenue budget to \$3,160,000 from Water reserve to offset the reduction in anticipated Water revenue. This amendment is part of a plan to eliminate the anticipated revenue shortfall in the Sewer fund and works in concert with my request to amend the Water and Sewer Budgets and implement mid-year rate changes for Water and Sewer operations.

The Department of Revenue has been watching the decline in the Sewer fund for the past several years and will be looking for a plan to address this decline in revenue as part of the review and approval of the FY10 tax rate. Failure to adopt these measures could delay approval and impact the city's ability to issue timely tax bills for the third quarter.

Thank you for your consideration of this matter.

Very truly yours,

David B. Cohen
Mayor

DBC: srb

1000 Commonwealth Avenue Newton, Massachusetts 02459

www.ci.newton.ma.us



DEDICATED TO COMMUNITY EXCELLENCE

City of Newton



DEPARTMENT OF PUBLIC WORKS

Office of the Commissioner
1000 Commonwealth Avenue
Newton Centre, MA 02459-1449

David B. Cohen
Mayor

09 NOV 13 PM 5:46
CITY CLERK
NEWTON, MA 02459

To: Board of Aldermen
Through: Honorable David B. Cohen, Mayor
Sanford Pooler, Chief Administrative Officer
Susan Burstein, Chief Budget Officer
From: Thomas E. Daley, P.E., Commissioner *TD*
Subject: Proposed FY10 Mid-Year Water and Sewer Rate Adjustment
Date: November 13, 2009

The Department of Public Works (DPW) is requesting a mid-year rate adjustment to the FY10 water and sewer rates based primarily on less than projected revenue due to the wet summer of 2009. The proposed adjustments are structured to be rate payer neutral.

A Wet Spring/Summer

The Boston metropolitan area has received an above normal level of rainfall during the spring and summer months of 2009. Readings from the Blue Hills Observatory indicate that for the months of April through October the region has received nearly a third more rain than average and July was the sixth wettest July on record (see table below). Since a substantial portion of the spring/summer revenue is dependent on outdoor water use, above average rainfall levels negatively impact water and sewer revenue. Anticipated income for June through October 2009 is approximately \$2 million and \$1 million short in the sewer and water accounts respectively from budgeted targets. This corresponds with a 9% shortfall in projected July-September billed water.

Apr-Oct Rainfall at Blue Hill Observatory - In Inches

	Apr	May	Jun	Jul*	Aug	Sep	Oct	AVG
2009 Precipitation	4.5	3.9	5.1	7.6	3.5	3.1	7.2	5.0
1891-2000 Mean	4.0	3.6	3.6	3.6	4.0	3.9	3.9	3.8
% Difference	12.7%	8.4%	42.4%	111.1%	-13.1%	-20.9%	86.8%	32.5%

*Sixth wettest July on record.

Scope of the Shortfall

DPW is proposing to address two separate issues via the proposed rate change:

1. Through October, our annual gross projected budget shortfall is \$3 million. DPW is proposing spending reductions to decrease the sewer deficit to \$700K, and water to \$1M. These projections include steps to reduce spending including restricting non-critical capital spending,

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not filling vacancies and accounting for lower than budgeted MWRA wholesale rates. DPW is also requesting the Board of Aldermen transfer \$387K in bond costs for the water meter program from the sewer to the water account. Currently, the water meter debt costs are evenly distributed between the water and sewer funds in the FY10 budget. In consultation with the Comptroller, it has been determined that the shift from sewer to water is reasonable and equitable.

2. The Comptroller reported the FY09 the sewer fund has a deficit of \$800K. The proposed rate shift covers this shortfall and eliminates this item from the books.

The net impact of these changes is the \$1.5M shift from the water fund into the sewer fund.

Proposed Response

DPW is proposing to draw upon the Water fund surplus, with a current available balance of \$3,285,139 as of the end of FY09, as the primary means to address the projected year end shortfall. This is the water fund rainy day surplus; this is that "rainy day".

Comptroller's November 12th Letter

The Comptroller raised a number of worthwhile discussion points in his November 12th letter to the Board of Aldermen which are addressed below:

Q: What would the mid-year rate increase be to avoid both an additional year of capital maintenance deferrals and the use of all remaining water fund equity?

A: The projected rate increase absent any adjustment to capital projects or use of the water fund reserve would necessitate a mid-year net water and sewer rate increase of 12.3%.

It is important to address concerns that DPW has and will continue to curtail capital spending in the water and sewer budgets. The capital items DPW is proposing to defer include such items as vehicles, equipment and specific capital repairs. None of the planned vehicle or equipment deferrals is needed to replace failing or surplus items. The three sewer initiatives DPW is proposing to delay (Oakdale \$125K, Farina \$125K and Irving St. \$135K) were all projects DPW identified in our FY10 rate setting presentation to the Board of Aldermen would be delayed if FY10 revenues fell short of projected targets. In short, none of the proposed operating or capital expense reductions will materially impact Utilities operations or threaten public safety.

Q: The Mayor's plan should specifically disclose the second half fiscal year 2010 water consumption assumptions used in development of the proposed new rates, along with comparative assumption experience for the last six months of fiscal year 2009, 2008 and 2007. ... Public Works should document the water and Sewer rate setting process with specific reference to how consumption is estimated.

A: DPW reviews historical water use as part of our rate setting process. In response to longer term trends in reduced water use, DPW respectively incorporated 2% water use reductions in the FY08 and FY09 rate setting process. The original FY10 budgeted HCF, unchanged from FY09, is actually about

15K lower than the FY05-09 five year average usage (see table below). The proposed usage for January through June compares favorably with the past three fiscal years for this same period.

Total Newton HCF Billed

	Actual HCF	Budgeted HCF
FY05	3,472,625	3,475,800
FY06	3,379,096	3,475,800
FY07	3,214,223	3,475,800
FY08	3,462,011	3,406,284
FY09	3,237,954	3,338,158
<hr/>		
FY05-09 Five Year Average	3,353,182	
Original FY10 Budgeted HCF	3,338,064	
HCF Difference	(15,117)	
% Difference	0.45%	

DPW believes the original FY10 budgeted HCF level was reasonable considering past usage history.

Q: Provide recommendations of specific fund equity targets that could be used to mitigate future year volatility in water consumption.

A: DPW determined the increased rainfall equates this year to a 6.8% decrease in revenue (roughly the equivalent of one month's revenue). Accordingly, we recommend a policy to maintain a reserve equal to one month's water and sewer revenue in each account.

The Road Ahead

The installation of the automated water meter reading system and meters is scheduled to begin system-wide in February 2010. Our current meters are on average 27 years old and our reading equipment is no longer functioning forcing residents to find their water meters and either call in their reads through an automated phone system or enter the read via the city website. Currently 34% of customers are contacting the city with actual reads. The inability for the city to read water meters negatively impacts customer service and is burdensome to city employees. The new reading system will provide more timely flow data, allow for monthly billing of accounts and provide both the city and customers with improved tools to proactively address water leaks.

The new water meters will also address issues of meter accuracy and theft. Newton's current level of unaccounted for water is in the 20-25% range. **This means 20-25% of the water billed by MWRA is not being billed to customers.** While about 5% of this figure is for known municipal use such as hydrant flushing and pipeline flushing, the unaccounted for water figure is about twice the recommended 10% or better figure recommended by the Massachusetts Department of Environmental Protection. The new system will provide more accurate reads and subsequently enhance revenue in both the water and sewer accounts. This income will be used to replenish the water and sewer reserves

and serve as a hedge against wet summers. DPW will continue to closely monitor water and sewer revenue throughout the remainder of the fiscal year limit spending in the Utilities Division.

Sincerely,



Thomas Daley, Commissioner of Public Works

CC: Fred Russell, Utilities
Susan Burstein, Chief Budget Officer
Sandy Pooler, Chief Administrative Officer
Thomas Daley, Commissioner of Public Works
David Turocy, Deputy Commissioner of Public Works
Ryan Ferrara, DPW Chief of Budget and Finance

Proposed FY10 Water and Sewer Mid-Year Adjustment

#70-09(8)

FY 2010 WATER SEWER RATES - Status Quo Jan - Jun

HCF	Consumption	Water Rate	Sewer Rate	Water Revenue	Sewer Revenue	Total Est. Revenue
0 - 20	837,449	\$4.35	\$6.81	\$3,642,903	\$5,703,028	\$9,345,931
21 - 70	363,421	\$5.22	\$8.17	\$1,897,058	\$2,969,150	\$4,866,207
> 70	379,222	\$6.26	\$9.80	\$2,373,930	\$3,716,376	\$6,090,305
Total	1,580,092			7,913,890	12,388,553	20,302,443

Supplemental FY 2010 Water/Sewer Revenue Needs Jan - Jun

	Water	Sewer	Total
FY10 Budget	7,913,890	12,388,553	20,302,443
Coverage of Projected Sewer Shortfall (1)	(1,500,000)	0	(1,500,000)
Increased Sewer Revenue (2)	0	1,500,000	1,500,000
<i>Subtotal</i>	6,413,890	13,888,553	20,302,443
Net Total Revenue Needed	\$6,413,890	\$13,888,553	\$20,302,443
Percentage Increase from FY 2010	-19.0%	12.1%	0.0%

HCF	Consumption	Water Rate	Sewer Rate	Water Revenue	Sewer Revenue	Total Est. Revenue
0 - 20	837,449	\$3.53	\$7.63	2,956,195	6,392,248	9,348,443
21 - 70	363,421	\$4.24	\$9.16	1,540,905	3,328,936	4,869,841
> 70	379,222	\$5.09	\$10.99	1,930,240	4,167,650	6,097,890
	Add	(\$0.82)	\$0.82			
	1,580,092			\$6,427,340	\$13,888,834	\$20,316,174
			Surplus/(Deficit)	\$13,450	\$281	\$13,731

(1) Includes \$700K for projected net YE sewer shortfall and \$800K for FY09 YE sewer deficit.

(2) Sewer rates are being increased to cover the shortfall cited under footnote #1

COMPTROLLER'S OFFICE
CITY OF NEWTON, MASSACHUSETTS
dwilkinson@newtonma.gov
(617) 796-1305

November 12, 2009

TO: Board of Aldermen

FROM: David Wilkinson

SUBJECT: Fiscal year 2010 water and sewer rates

For the fiscal year ended June 30, 2009 Sewer fund revenues were \$1,552,169 less than fund expenditures, encumbrances and continued appropriations and Water fund revenues were \$856,750 less than fund obligations. In order to limit the fiscal year 2009 operating deficits to these levels, \$358,136 in sewer fund capital outlay and improvement expenditures and \$680,800 in water fund capital outlay and improvement expenditures were deferred.

The resulting fund balances available for appropriation (free cash positions) of the two utility funds are: \$3,285,139 in the water fund and (\$790,660) in the sewer fund. The Massachusetts Department of Revenue reduced Newton's July 1, 2009 General fund certified free cash position for the Sewer fund negative equity position and will require evidence of a balanced budgets in these funds for fiscal year 2010 before the fiscal year 2010 tax rate is certified.

On the basis of first quarter fiscal year 2010 actual revenue experience, additional operating deficits of at least \$2 million in the Sewer fund and \$1 million in the Water fund are likely unless budgeted expenditures are reduced; revenues are increased; or a portion of the existing Water Fund equity is used as a financing source.

The Mayor's Office has proposed a plan for rebalancing the fiscal year 2010 water and sewer fund budgets through a combination of additional capital expenditure deferrals; a mid year sewer rate increase, which is off set with an equal water rate decrease; and the use of the remaining water fund equity as a fiscal year 2010 funding source.

While the Mayor's Office plan is without a doubt a reasonable option for addressing the issue at hand, it does require additional capital maintenance deferrals and the use of remaining Water fund equity. It would certainly be appropriate for the Board of Aldermen to ask that the Mayor's Office provide you with information on the extent of a mid year rate increase that would be necessary to avoid both an additional year of capital maintenance deferrals and the use of all remaining Water fund equity. It is also important that the Mayor's plan specifically disclose the second half fiscal year 2010 water

consumption assumptions used in development of the proposed new rates, along with comparative consumption experience for the last six months of fiscal year 2009, 2008, and 2007.

Getting beyond the issue at hand, it would be my recommendation that the Board request that the Mayor's Office and Department of Public Works document the water and sewer rate setting process, with specific reference to how consumption is to be estimated, and provide recommendations of specific fund equity targets that could be used to mitigate future year volatility in water consumption patterns. These written policies and procedures should be incorporated into the City's financial management policies that were adopted under board order #207-07.



Newton League of Women Voters
PO Box 610207
Newton, MA 02461

09 NOV 25 PM 12:33
CITY CLERK
NEWTON, MA. 02159

November 25, 2009

Lisle Baker, President, Board of Aldermen
Board of Aldermen
Newton City Hall
100 Commonwealth Avenue
Newton Centre, MA 02459

Dear President Baker and Members of the Board,

Our city water and sewer rates support the operation of our water service and sewage treatment and also pay for necessary upkeep of and the elimination of cross connections in many miles of aging sewer pipes.

Raising the rates becomes necessary as more businesses and residents institute environmentally and economically sound water conservation measures. These are good for the Quabbin watershed and preserve a vital resource.

Regular improvements to the system are critical to the environment and Newton's bottom line. Regular repair and replacement of sewer lines curbs the infiltration of ground water. More than half of the flow from Newton's sewer system is attributed to ground water leaking into older pipes. This not only lowers the groundwater levels, it also increases Newton's share of MWRA sewer charges. Our water and sewer fees, therefore, should be sufficient to cover the administration, maintenance and capital improvements to the city's systems.

The League of Women Voters of Newton strongly encourages the executive department and the Board of Aldermen to set water and sewer rates high enough to fully fund this service.

Sincerely,

Terry Yoffie, President
Newton League of Women Voters