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Town of Natick – Administration

TO: Select Board
James Errickson, Town Administrator

FROM: Jon Marshall, Deputy Town Administrator - Operations
John Townsend, Deputy Town Administrator - Finance
Jeremy Marsette P.E., Director of Public Works
Anthony Comeau, Water/Sewer Division Supervisor

DATE: May 26, 2022

SUBJECT: FY 2023 Rate Proposal for Water and Sewer

Section I: Status of the Water/Sewer Enterprise Fund

The Town of Natick operates the Water and Sewer Enterprise Fund to separately account for the operations of providing water and sanitary sewer services to the residents and businesses of Natick. According to the Massachusetts Department of Revenue, an enterprise fund may be established “under G.L. c. 44, § 53F½ to separately account for municipal services of a proprietary nature, *i.e.*, those services provided to individual customers for a charge in a manner similar to private business.” Fees and/or rates are charged for this service and the fund is segregated from the other financial operations of the Town of Natick. ¹

During FY 2022 the Water/Sewer Enterprise Fund has faced unprecedented challenges.

- Lingering effects from the COVID-19 Pandemic and associated continuity of operations procedures implemented to address the “new normal”.
- Supply chain issues: increasing costs and reducing availability of supplies and services impacting budget and level of service delivery.
- Rapid compliance with water quality standards for polyfluoroalkyl substances (PFAS) set by the Massachusetts Department of Environmental Protection (MassDEP), increasing expenses and capital costs.
- Mandated water use restrictions on non-essential outdoor usage, reducing the volume of water sold and impacting revenue.
- Contracted laboratory errors resulting in a boil water order issued by MassDEP in January 2021. The Order was lifted soon after the laboratory errors were identified and with the completion of independent confirmatory testing.

¹ For more information, please see Massachusetts Department of Revenue, Bureau of Accounts. [Informational Guideline Release 08-101, Enterprise Funds, G.L. c. 44, § 53F½](#). Commonwealth of Massachusetts. Boston, MA. April 2008.

Despite these challenges the Town has creatively adapted and implemented effective solutions to ensure the provision of clean and safe drinking water and reliable disposal of sanitary sewerage.

Enterprise Fund Retained Earnings History

The retained earnings history of the combined Water and Sewer Enterprise Fund as of June 30th is shown in the table below. The retained earnings balance fluctuates from year-to-year and will increase by surplus revenue collected and from unexpended appropriations. It will decrease due to revenue shortfalls, appropriations for capital improvements or to mitigate rate increases.

Retained Earnings History				
	Certified as of 6/30/2018	Certified as of 6/30/2019	Certified as of 6/30/2020	Certified as of 6/30/2021
Certified Retained Earnings	\$613,051	\$734,740	\$1,069,573	\$1,712,582

The Retained Earnings balance as of June 30, 2021 was \$1,712,582 from which \$365,000 was appropriated at the 2021 Fall Town Meeting and 2022 Spring Annual Town Meeting for capital projects. Retained Earnings as of June 30, 2022 are estimated to be lower due to a projected revenue shortfall for FY 2022. The full extent of this revenue shortfall will be better known at the close of FY 2022. A professional consultant has been retained by the Town to perform a forensic audit of the utility billing and collections process to identify possible sources of this shortfall. This independent analysis includes a review of the recent utility billing software conversion.

Retained Earnings serve a similar purpose as Free Cash in the General Fund budget. It has been the practice of the Town to maintain a balance in Retained Earnings for a variety of reasons including the funding of unanticipated emergency spending; to cover potential revenue shortfalls; and to serve as a source of working capital. The Select Board's Water and Sewer Financial Policies adopted in 2011 set a goal to maintain a retained earnings balance of 10% of gross revenues (which is approximately \$1.7 million). A copy of the Water and Sewer Financial Policies is included for reference.

FY 2023 Rates in Review

The FY 2023 rate recommendation is based on expenses appropriated at the 2022 Spring Annual Town Meeting within the Water & Sewer Enterprise Fund. As with any budget, the setting of rates and planning of expenditures is just that – a plan. Reality, especially when it comes to an industry directly impacted by climate conditions, weather, and regulation, often differs. The revenues received in the Water/Sewer Enterprise Fund are directly dependent on the volume of water furnished and sold to customers.

Usage Impacts

Tracking data from the past year, along with several years before it, helps identify trends in water usage and provides important indicators regarding incoming revenues and how they balance against fund expenses.

With the exception of impacts due to the mandated water use restriction during 2021, usage has remained relatively consistent for several years. Unlike some Massachusetts communities, Natick's overall water usage has remained near average throughout the COVID Pandemic. A small decline in commercial usage was offset by increased residential usage.

During calendar year 2021 a non-essential outdoor water use restriction was in place to meet the new MassDEP drinking water standards for PFAS6. The usage restriction was mandated by the MassDEP as a condition of operating the Elm Bank Water Supply Wells throughout the summer. This use restriction was instituted in May 2021 and was lifted in November 2021 (mostly during FY 2022). As a result of the use restriction overall water usage declined by 7% from the five-year average in the aggregate for calendar year 2021. With the usage restriction now lifted, current 2022 usage has returned to the running average. At this time the final usage and revenue data for FY 2022 is not yet available, but the team has taken into account trends and usage predictions for the balance of this fiscal year.

Actual usage for FY 2021 is shown in the table below, (and in greater detail in Attachment D). At this time FY 2022 completed numbers are not available.

Based on FY2021			Three -Year Average			Five -Year Average		
CODE	USE	AVERAGE	CODE	USE	AVERAGE	CODE	USE	AVERAGE
ELD	3,245	12.78	ELD	3,301	12.93	ELD	3,401	12.92
ELW	462	11.55	ELW	390	10.40	ELW	494	12.73
IRR	190,363	20.46	IRR	137,783	16.69	IRR	149,340	16.09
SEW	3,720	39.16	SEW	5,232	49.63	SEW	7,187	53.93
WAT	108,564	19.86	WAT	114,231	20.55	WAT	116,892	20.79
WSM	1,016,106	14.38	WSM	1,032,558	14.54	WSM	1,032,108	14.27
Total	1,322,460		Total	1,293,496		Total	1,309,422	

FY 2023 Operating & Capital Budgets

The establishment of rates for the Water and Sewer Enterprise Fund is directly a factor of the expenses necessary to provide the service. In other words, the Town of Natick must use an expense-driven model when determining expenses and forecasting revenue for the upcoming year. This gives a strong incentive to the commissioners and the operators to make sure operations are as efficient and cost effective as possible.

FY 2023 Water/Sewer Rate Setting

May 26, 2022

Page 4

Rates and fees are set in order to collect the appropriated expenditures for the Water and Sewer Enterprise Fund for FY 2023 as shown below.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Water Salaries	\$ 1,230,404	\$ 1,276,455	\$ 1,303,969	\$ 1,311,299	1,379,125
Water Expenses	\$ 996,132	\$ 1,171,780	\$ 862,893	\$ 987,778	1,350,681
Sewer Salaries	\$ 768,186	\$ 800,056	\$ 784,848	\$ 837,643	851,375
Sewer Expenses	\$ 6,317,573	\$ 6,338,513	\$ 6,169,838	\$ 6,802,315	7,133,455
W/S Shared Salaries	\$ 79,789	\$ 92,058	\$ 57,573	\$ 106,497	\$ 106,497
W/S Shared Expenses	\$ 58,322	\$ 43,893	\$ 68,542	\$ 74,000	\$ 74,000
Employee Benefits	\$ 809,698	\$ 865,652	\$ 931,830	\$ 963,039	901,118
Reserve Fund	\$ 105,262	\$ 200,000	\$ 200,000	\$ 200,000	200,000
Indirect Expenses	\$ 2,218,150	\$ 2,533,300	\$ 2,697,496	\$ 2,848,079	3,060,960
Capital Improvement:	\$ 283,500	\$ 390,000	\$ 365,000	\$ 372,300	-
Debt Service	\$ 2,442,895	\$ 2,441,845	\$ 2,155,473	\$ 2,155,473	2,631,877
				Amount to Raise	
Total	\$ 15,309,911	\$ 16,153,552	\$ 15,597,462	\$ 16,658,423	17,689,088

For FY 2023, the appropriated operating and capital budget for the Water and Sewer Enterprise Fund is \$17,689,088. This is an overall increase of 7.3% from FY 2022. Major budget drivers and components include:

1. **PFAS Compliance:** MassDEP recently issued a maximum containment level (MCL) for Per- and polyfluoroalkyl substances (PFAS). Over the past year, the Department of Public Works has implemented short-term corrective actions to maintain compliance with the new regulations. Early in 2022, the first phases of long-term actions will be completed, including year-round and seasonal activated carbon filtration at the Springvale Water Treatment Facility. Annual operation of the new water filters will entail increased water testing (24% budget increase) and increased use of disinfection chemicals (26% budget increase).
2. **Personnel Costs:** Projected to increase by 3.61% for FY 2023; a net increase of \$81,558. Over FY 2022. Personnel costs include settlement of collective bargaining agreements and the funding of an additional Water/Sewer Skilled Laborer position. Staffing vacancies and turnover effecting service delivery.
3. **Operating Expenses:**
 - a. Projected expense increase for water operations expenses of 7.3% and for sewer operations expenses of 4.9%.
 - b. The Water Operations budget includes increased expenses for water quality treatment and required testing for compliance activities.

- c. Supply chain issues: increasing cost and reduced availability of supplies/services impacting budget and level of service delivery. The sourcing of fluoride is one example of many supply chain challenges faced this past year. To maintain continuity of service during this nationwide shortage, the Department of Public Works 'borrowed' fluoride supplies from a neighboring community.
 - d. The Water and Sewer Division has continued work towards International Organization for Standardization (ISO) 14,001 re-certification of the Town's water treatment facilities. The Water Division budget includes expenses for consultants, audit and inspections fees, and registration fees.
- 4. MWRA Sewer Assessment: The largest single expense in the Water and Sewer Enterprise Fund is the Assessment Charge by the Massachusetts Water Resource Authority (MWRA) for accepting and treating the Town's wastewater. This expense makes up 85% of the Sewer Division Operating budget. The assessment is forecast to increase by 5% in FY 2023 over the final assessment of FY 2022.
- 5. Sewer Flow Metering: The MWRA has implemented full metering of all sanitary sewer flows into their sewer interceptors. This multi-year project included the installation of sewer flow metering at previously un-metered connections. The analysis showed that flow through previous un-metered connections was under-estimated. Over a five-year period, the MWRA is phasing in actual flow data to calculate the Town's annual Sewer Assessment. This adjustment will modestly increase the annual MWRA Sewer Assessment Costs.
- 6. Energy Cost Increase: The cost of electricity has risen by 3% and represents 1.5% of the overall budget. Recently global geopolitical events have increased the uncertainty of future energy costs.
- 7. Debt Service: Debt service in FY 2023 is forecast at \$2,631,877. This is a 22% increase from the prior fiscal year. The major capital projects include the construction of a granular activated carbon water filtration to remove PFAS, rehabilitation or replacement of town wells, water meter replacement, water and sewer main replacements and upgrades.
- 8. Water Sewer Indirect Costs: Increase of \$212,881 (7.47% increase) over FY 2022

Section II: Rate Recommendation

Rate Methodology

As the Water & Sewer Commissioners of the Town of Natick, the Select Board are charged with setting rates necessary to support revenues for the operation of the Water & Sewer Enterprise Fund. The proposed rates of the Water/Sewer Enterprise Fund are established according to the following guiding principles:

- 1) Rates are sufficient to cover expenses in any given year; and,
- 2) Water rates are tiered and designed to foster conservation: the more you use, the more you pay.
- 3) The Select Board's Water and Sewer Financial Policies adopted 2011

The rate recommendations presented on the following pages have been derived from a sophisticated model. Every meter read and every account has been imported into the model from Fiscal Years 2009 to 2022. At this time the final usage and revenue data for FY 2022 is not yet available, but the team has taken into account trends and usage predictions for the balance of this fiscal year. The usage in each of the years is calculated and the proposed rates applied to that usage. Staff will continue to review this model on an annual basis, thus insuring better data and quality by creating a larger sample with which to model upon.

Again this year the Town has modeled out its Water and Sewer Revenues and Expenses through the Waterworth Software. In using this software, the town is able to create forecasts, predict rate increases, and account for anticipated budget increases such as capital. This multi-year rate setting model, which incorporates all factors holistically, aims to provide predictable and consistent rate planning to provide affordable water and sewer services while providing sufficient revenue to defray costs. In the coming years, the model will be expanded to allow for additional analysis and scenario building.

The proposed collection rate is set at 95%. This represents what we actually collect during the fiscal year. Although we bill and will eventually collect 100% of what we read from meters, we collect 95% of the amount billed in a fiscal year. Unfortunately, all accounts are not paid on time, thus delaying the receipt of that collection to a future fiscal year, often through a tax lien.

From FY 2009-2011, the Town implemented a phased averaging of all multi-unit dwellings in the Town of Natick. This was designed to create a fairer and more equitable rate structure for all rate-payers, which has largely worked. An apartment dweller or condominium owner now pays either tier 1 or tier 2 water rates, comparable to what a single-metered single-family home pays. The proposed rate structure continues to include this averaging methodology.

For FY 2023, staff has prepared the following proposed rate option for The Select Board to consider:

Rate Increase: Staff recommends the Select Board raise the current water rates 7.5% and sewer rates by 7.5%.

New Rates Effective July 1, 2022

This rate increase equitably raises the costs of water and sewer services. The proposed rate increase for the average single family home would amount to an additional cost of \$47.04 annually or \$11.76 quarterly. The proposed rate increase would have no impact on the average elderly customer.

Community Comparisons

Finally, included with this memorandum is a comparison of Natick's proposed rates with those of other peer communities based on recent survey of rates. With the adoption of the proposed rates, Natick's rates for water and sewer service will remain below most community peers (and within the average of all sixty MWRA served communities).

Certified Retained Earnings History

Fiscal Year	2005	2006	2007	2008	2009	2010
Certified Retained Earnings	\$4,835,052	\$6,024,895	\$2,791,973	\$682,304	\$656,440	\$1,390,829
Fiscal Year	2012	2013	2014	2015	2016	2017
Certified Retained Earnings	\$2,386,297	\$849,404	\$3,342,657	\$1,753,150	\$1,834,879	\$613,051
Fiscal Year	2018	2019	2020	2021		
Certified Retained Earnings	\$613,051	\$734,740	\$1,069,573	\$1,712,582		



Attachment B

Usage History

This attachment provides a history of gross usage in the water/sewer enterprise fund. Amounts shown are in Hundred Cubic Feet (HCF).

Based on FY2015 Use			Based on FY2016 Use			Based on FY2017 Use		
CODE	USE	AVERAGE	CODE	USE	AVERAGE	CODE	USE	AVERAGE
ELD	3,970	13.15	ELD	3,602	13.64	ELD	3,563	12.73
ELW	562	11.71	ELW	463	11.58	ELW	534	13.35
IRR	170,420	16.12	IRR	201,855	18.07	IRR	161,807	14.94
SEW	10,571	83.90	SEW	7,808	47.90	SEW	9,061	60.01
WAT	125,327	21.41	WAT	129,998	22.49	WAT	116,488	20.41
WSM	1,065,326	15.27	WSM	1,067,406	14.75	WSM	1,047,132	14.03
Total	1,376,176		Total	1,411,132		Total	1,338,585	

Based on FY2018 Use		
CODE	USE	AVERAGE
ELD	3,536	13.05
ELW	765	19.13
IRR	171,544	15.45
SEW	11,180	60.76
WAT	125,280	21.90
WSM	1,015,733	13.72
Total	1,328,038	

Based on FY2019 Use		
CODE	USE	AVERAGE
ELD	3,265	12.56
ELW	379	10.53
IRR	178,662	16.17
SEW	8,376	70.98
WAT	114,098	22.13
WSM	1,040,189	15.20
Total	1,344,969	

Based on FY2020		
CODE	USE	AVERAGE
ELD	3,394	13.47
ELW	328	9.11
IRR	44,325	13.45
SEW	3,600	38.75
WAT	120,032	19.67
WSM	1,041,380	14.03
Total	1,213,059	

Based on FY2021		
CODE	USE	AVERAGE
ELD	3,245	
ELW	462	
IRR	190,363	
SEW	3,720	
WAT	108,564	
WSM	1,016,106	
Total	1,322,460	

Three -Year Average		
CODE	USE	AVERAGE
ELD	3,299	13.01
ELW	280	9.82
IRR	131,144	14.81
SEW	5,086	54.87
WAT	80,955	20.90
WSM	949,413	14.62
Total	1,170,178	

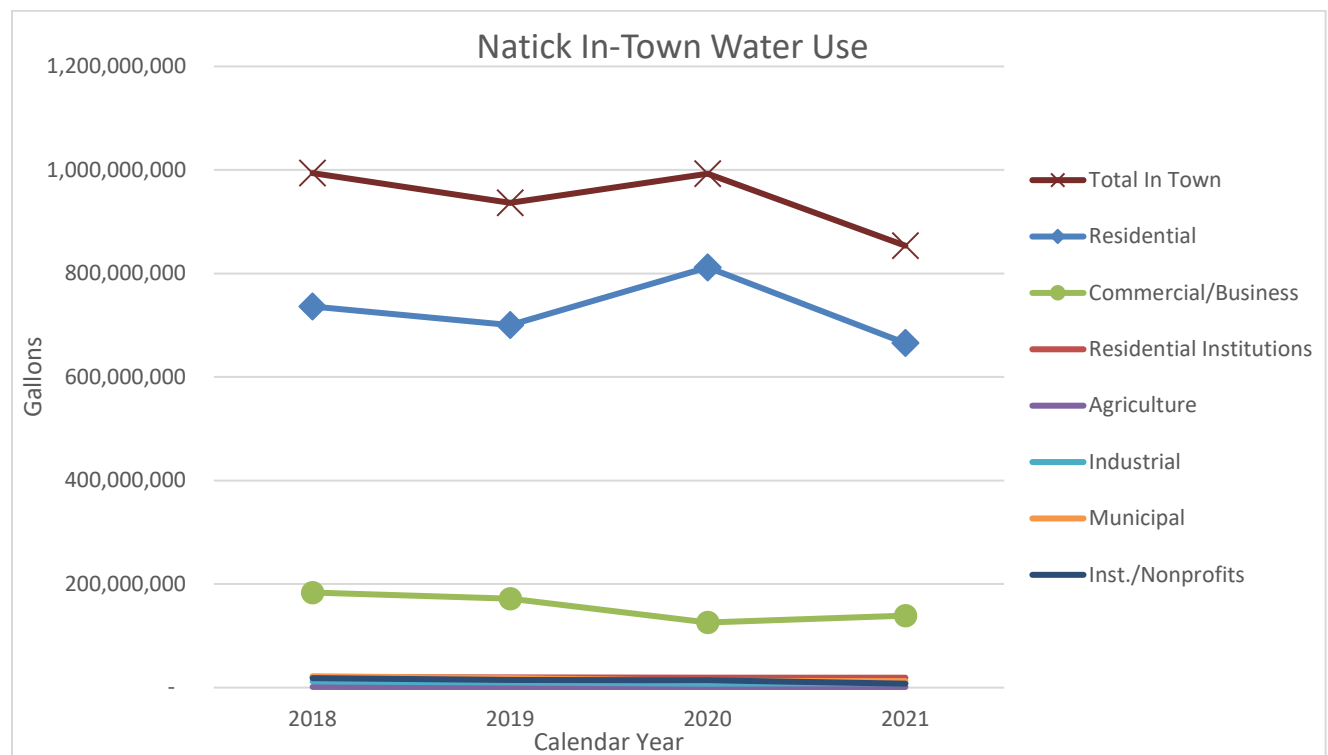
Five -Year Average		
CODE	USE	AVERAGE
ELD	3,399	12.95
ELW	428	13.03
IRR	145,357	15.00
SEW	7,100	57.63
WAT	96,927	21.03
WSM	982,221	14.24
Total	1,235,432	

Attachment C

Water Usage by
Land Use

This attachment provides a history of gross usage in the water/sewer enterprise fund. Amounts shown are in Gallons.

Year	Residential	Residential Institutions	Commercial/ Business	Agriculture	Industrial	Municipal	Inst./ Nonprofits	Total In Town
2018	736,344,409	20,402,931	183,693,718	1,327,129	11,948,676	21,940,284	18,317,984	993,975,131
2019	700,633,990	19,768,543	171,813,322	733,886	10,155,458	18,800,501	14,727,867	936,633,567
2020	811,846,723	19,248,613	125,807,468	1,235,861	7,623,139	12,907,897	14,367,261	993,036,962
2021	665,470,118	19,272,552	139,047,073	1,095,967	8,499,912	12,665,333	7,624,613	853,675,568
Average	728,573,810	19,673,160	155,090,395	1,098,211	9,556,796	16,578,504	13,759,431	944,330,307
Average	728,573,810	19,673,160	155,090,395	1,098,211	9,556,796	16,578,504	13,759,431	944,330,307
%	77%	2%	16%	0.12%	1.0%	2%	1%	944,330,307



Attachment D

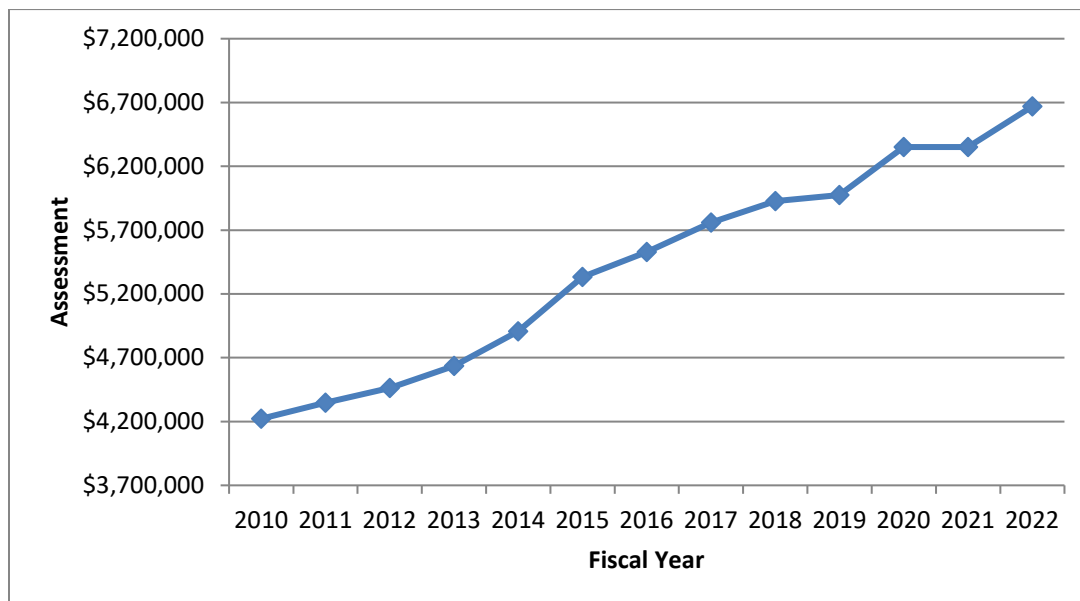
MWRA Sewer Assessment History

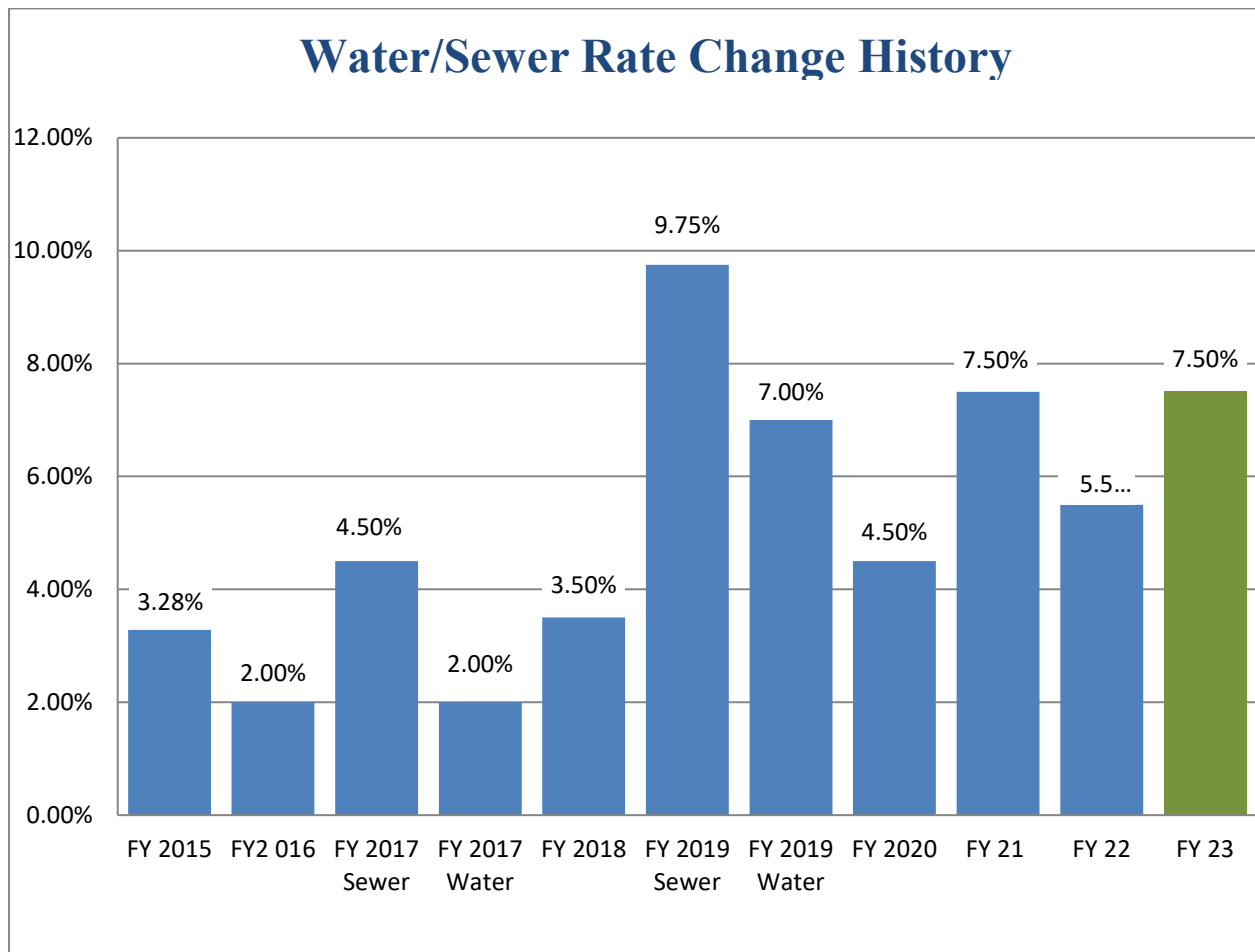
FY 2023 Water/Sewer Rate Setting

May 26, 2022

Page 11

Fiscal Year	Assessment	Change	
2008	\$3,993,641		
2009	\$3,941,631	-\$52,010	-1.30%
2010	\$4,219,801	\$278,170	7.06%
2011	\$4,346,280	\$126,479	3.00%
2012	\$4,460,551	\$114,271	2.63%
2013	\$4,634,401	\$173,850	3.90%
2014	\$4,903,457	\$269,056	5.81%
2015	\$5,330,710	\$427,253	8.71%
2016	\$5,526,614	\$195,904	3.68%
2017	\$5,756,705	\$230,091	4.16%
2018	\$5,924,062	\$167,357	2.91%
2019	\$5,972,626	\$48,564	0.82%
2020	\$6,350,000	\$377,374	6.32%
2021	\$6,350,000	\$0	0.00%
2022	\$6,667,500	\$317,500	5.00%





Proposed Water/Sewer Rates - FY 2023

Attachment F

Water 7.50%

Sewer 7.50%

Rate Changes

This page shows comparative rates between FY 2022 and FY2023 in a variety of different rate categories and blocks. To calculate your bill, simply take your usage by tier and then apply the appropriate Rate for either Water and/or Sewer services.

Combined Water & Sewer Rates

<u>FY 2022</u>			<u>FY 2023</u>		
0-10	Water	\$ 2.25	0-10	Water	\$ 2.42
	Sewer	\$ 6.37		Sewer	\$ 6.85
11-20	Water	\$ 3.44	11-20	Water	\$ 3.70
	Sewer	\$ 11.35		Sewer	\$ 12.20
21-40	Water	\$ 5.10	21-40	Water	\$ 5.48
	Sewer	\$ 18.77		Sewer	\$ 20.18
40+	Water	\$ 7.91	40+	Water	\$ 8.50
	Sewer	\$ 18.77		Sewer	\$ 20.18

Combined Elderly Rates

<u>FY 2022</u>			<u>FY 2023</u>		
0-10	Water	\$ -	0-10	Water	
	Sewer	\$ -		Sewer	
11-20	Water	\$ -	11-20	Water	
	Sewer	\$ -		Sewer	
21-40	Water	\$ 3.63	21-40	Water	\$ 3.90
	Sewer	\$ 13.36		Sewer	\$ 14.36
40+	Water	\$ 5.62	40+	Water	\$ 6.04
	Sewer	\$ 13.36		Sewer	\$ 14.36

Water Only

<u>FY 2022</u>			<u>FY 2023</u>		
0-10	Water	\$ 2.25	0-10	Water	\$ 2.42
11-20	Water	\$ 3.44	11-20	Water	\$ 3.70
21-40	Water	\$ 5.10	21-40	Water	\$ 5.48
40+	Water	\$ 12.82	40+	Water	\$ 13.78

Elderly Water Only

<u>FY 2022</u>			<u>FY 2023</u>		
0-10	Water	\$ -	0-10	Water	
11-20	Water	\$ -	11-20	Water	
21-40	Water	\$ 3.63	21-40	Water	\$ 3.90
40+	Water	\$ 5.62	40+	Water	\$ 6.04

Irrigation

<u>FY 2022</u>			<u>FY 2023</u>		
0-10	Water	\$ 4.02	0-10	Water	\$ 4.32
11-20	Water	\$ 7.83	11-20	Water	\$ 8.42
21-40	Water	\$ 10.46	21-40	Water	\$ 11.24
40+	Water	\$ 12.82	40+	Water	\$ 13.78

Sewer Only

<u>FY 2022</u>			<u>FY 2023</u>		
0-10	Sewer	\$ 6.37	0-10	Sewer	\$ 6.85
		\$ -			\$ -
11-20	Sewer	\$ 11.35	11-20	Sewer	\$ 12.20
		\$ -			\$ -
20+	Sewer	\$ 18.77	20+	Sewer	\$ 20.18

Flat Fee: Domestic Use: \$5 per Equivalent Dwelling Unit per Quarter
Irrigation Use: \$5 per Quarter

Water/Sewer Rates - FY 2023 (Proposed)

Attachment G

Sample Bills & Increases by Rate Type

This table shows the cost of various usage between the current FY 2022 rates and the proposed FY 2023.

FY 2022 Rates			Proposed FY 2023 Rates			%
Standard Water and Sewer User			Standard Water and Sewer User			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ -	\$ -	5	\$ -	\$ -	7.5%
20	\$ 239.38	\$ 957.52	20	\$ 257.33	\$ 1,029.33	7.5%
40	\$ 716.66	\$ 2,866.65	40	\$ 770.41	\$ 3,081.64	7.5%
75	\$ 1,650.49	\$ 6,601.98	75	\$ 1,774.28	\$ 7,097.13	7.5%
120	\$ 2,851.14	\$ 11,404.55	120	\$ 3,064.97	\$ 12,259.89	7.5%
Elderly Discount Eligible			Elderly Discount Eligible			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ -	\$ -	5	\$ -	\$ -	0.0%
20	\$ -	\$ -	20	\$ -	\$ -	0.0%
40	\$ 339.71	\$ 1,358.84	40	\$ 365.19	\$ 1,460.75	7.5%
75	\$ 1,003.99	\$ 4,015.96	75	\$ 1,079.29	\$ 4,317.16	7.5%
120	\$ 1,858.07	\$ 7,432.26	120	\$ 1,997.42	\$ 7,989.68	7.5%
Water Only User			Water Only User			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ 16.51	\$ 66.04	5	\$ 17.75	\$ 71.00	7.5%
20	\$ 62.14	\$ 248.56	20	\$ 66.80	\$ 267.20	7.5%
40	\$ 164.05	\$ 656.21	40	\$ 176.36	\$ 705.43	7.5%
75	\$ 612.69	\$ 2,450.77	75	\$ 658.64	\$ 2,634.57	7.5%
120	\$ 1,189.51	\$ 4,758.05	120	\$ 1,278.73	\$ 5,114.90	7.5%
Irrigation User			Irrigation User			
Usage	Quarterly Amount	Annual Amount	Usage	Quarterly Amount	Annual Amount	
5	\$ 25.37	\$ 101.49	5	\$ 27.28	\$ 109.10	7.5%
20	\$ 123.75	\$ 495.01	20	\$ 133.03	\$ 532.13	7.5%
40	\$ 332.85	\$ 1,331.41	40	\$ 357.82	\$ 1,431.27	7.5%
75	\$ 781.49	\$ 3,125.97	75	\$ 840.10	\$ 3,360.41	7.5%
120	\$ 1,358.31	\$ 5,433.25	120	\$ 1,460.19	\$ 5,840.74	7.5%

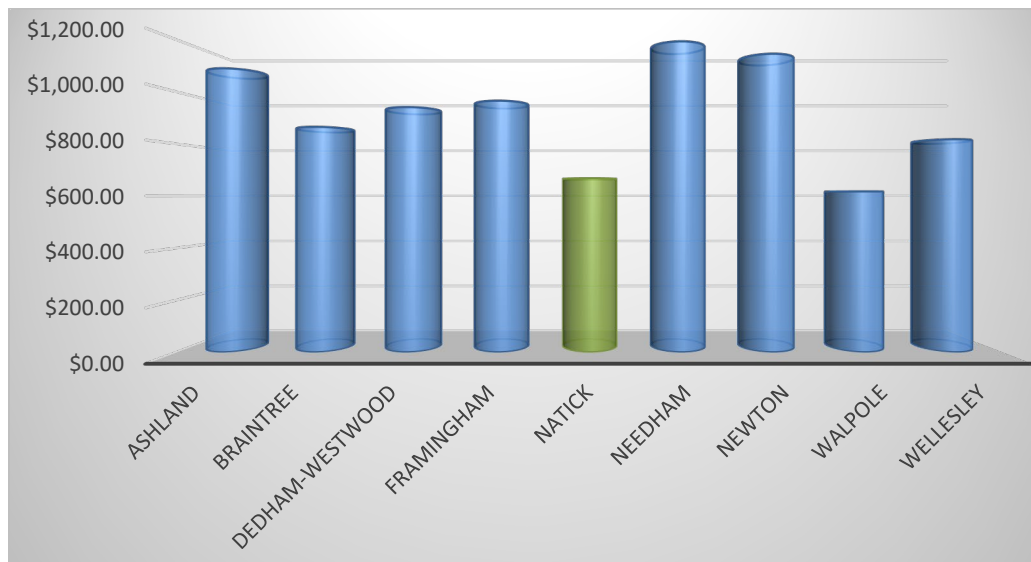
Attachment H

Water/Sewer Rates - FY 2023 (Proposed)

Community Comparison for Average Single Family Residential Customer

	Annual Combined Water and Sewer	Quarterly Combined Water and Sewer (15 HCF)	MWRA Type
Ashland	\$1,089.80	\$272.45	S *
Braintree	\$865.20	\$216.30	S
Dedham-Westwood	\$940.96	\$235.24	S
Framingham	\$965.52	\$241.38	W/S
Natick	\$667.97	\$166.99	S
Needham	\$1,193.28	\$298.32	S *
Newton	\$1,145.60	\$286.40	W/S
Walpole	\$617.40	\$154.35	S
Wellesley	\$817.76	\$204.44	S *

* Partial MWRA Water



Miscellaneous Service Fees

ServiceFeeDescription	ServiceAmount	FY 23 FEE CHANGE
BACKFLOW TEST	\$50.00	None
FINAL	\$25.00	None
VALVE	\$50.00	None
MANUAL READ	\$100.00	None
WATER SERVICE FEE	\$50.00	None
FIRECON	\$100.00/Inch	None
METER CHANGE	\$185.00	None
TEMP METER (HYDRANT)	\$1,450.00	None
FROZEN METER	\$75.00	None
TRANSMITTER	\$110.00	None
IRRIGATION METER	\$25.00	None

WATER & SEWER FINANCIAL POLICIES

To protect the Water & Sewer Enterprise Fund's financial stability and to ensure the availability of adequate financial resources in times of emergency, it is essential that policies regarding the enterprise fund's financial management be adopted and adhered to in the preparation and implementation of the operating and capital budgets.

1) Reserves

Maintaining adequate reserves is a fundamental principle of sound financial management. Although there is no standardized reserve policy guidance for enterprise funds in Massachusetts, industry practice would suggest the following:

- a) Retained Earnings (as certified by the Mass. Department of Revenue *eff. July 1* of each fiscal year) shall serve as the principle reserves for the Water & Sewer Enterprise Funds.
- b) Retained Earnings balance should be at least 10% of the gross revenues of the Water & Sewer Enterprise Fund after accounting for planned draws in any fiscal year (e.g. capital purchases).
- c) Reserves can be used for any lawful purpose, but serve primarily to provide financial security in case of catastrophic and unforeseen events, or capital and asset renewal and replacement.
- d) Reserves should not be used to subsidize ongoing operations, whenever possible.

2) Capital

In order to preserve the Town's fixed asset base and ensure that Water and Sewer facilities, and equipment efficiently and effectively support the Town's programs and operations, the Town should provide consistent and stable funding sources for the timely and periodic renewal and/or replacement of water/sewer infrastructure, vehicles and equipment. To that end:

- a) Methods of Financing: Generally, the Town should finance all vehicles, equipment and infrastructure with a useful life less than 10 years out of its Retained Earnings. For those vehicles, equipment and infrastructure with a useful life greater than 10 years, the town should consider borrowing as per the regulations set forth under M.G.L. Ch. 44 Sec. 7 & 8 and/or any other applicable laws, if sufficient Retained Earnings are not available.
- b) Debt Management: When borrowing is necessary to finance a capital improvement, the Town Finance Director shall seek to issue bonds in such way as to minimize issuance and interest costs while achieving the best terms for the financial betterment of the Enterprise Fund.
- c) Capital Planning: All capital projects funded through the Enterprise Fund must be part of the agreed to and adopted 5-year Capital Improvement Plan.
- d) Roadway Improvement: Any disruption caused of a paved surface as a result of Water & Sewer Infrastructure Improvements shall be restored as part of the Water & Sewer project and paid for out of revenues of the Water & Sewer Enterprise Fund.

3) Rate Structures


- a) The Town of Natick should continue its established practice of ascending or inclined block rates for water usage in order to promote conservation.
- b) Rates should be proposed and adopted sufficient to cover all costs incurred during the fiscal year with the exception of catastrophic events. Mid-year rate modifications should be avoided whenever possible.

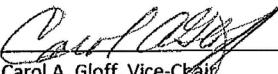
4) Indirect Costs


- a) Indirect costs shall be reviewed at regular intervals to ensure that they are reasonable to the services being provided by the General Fund in support of Water & Sewer Operations.

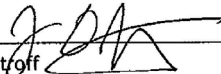
These policies should be reviewed at regular intervals for their effectiveness and continued improvement.

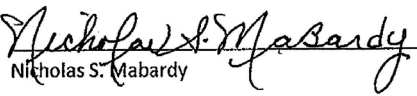
NATICK BOARD OF SELECTMEN


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Carol A. Gloff, Vice-Chair


Paul R. Joseph, Clerk


Joshua Ostroff


Nicholas S. Mabardy

Adopted: May 23, 2011