Town of

AMHERST Massachusetts

Office of the Town Manager
Town Hall
4 Boltwood Avenue
Amherst, MA 01002

John P. Musante, Town Manager
Phone: (413) 259-3002
Fax: (413)-259-2405
Email: musantej@amherstma.gov

To: Select Board
From: John P. Musante, Town Manager
Date: January 4, 2013
Re: FY 14 Water and Sewer Rates

In conjunction with consideration of the FY 14 Water and Sewer Enterprise Funds operating budgets, the Select Board needs to set water and sewer rates for the coming year. I am recommending no increase to the water rate and a modest increase of 2.9% in the sewer rate. I have attached water and sewer budget and usage projections. These tables outline the proposed budget for FY 14, recent rate history, and the respective recommended rate adjustments. Those projections indicate the rate adjustments should be implemented as follows:

Rate per 100 cubic foot

Utility	Old Rate	New Rate	% Change
Water	**$3.40**	**$3.40**	**0%**
Sewer	**$3.45**	**$3.55**	**2.9%**

The average Amherst homeowner water bill is projected to remain unchanged at $408 per year, and the average Amherst homeowner sewer bill is projected to increase from $414 to $426, an increase of $12 per year. Amherst water and sewer bills remain substantially below the state average water bill of $470 and sewer bill of $638, even when comparing using the most recent Water and Sewer Rate Survey from 2010 compiled by Tighe & Bond. Locally, Hadley and Northampton had average water/sewer bills of $455/$552 and $545/$581, respectively.

The Water Department budget will increase by 9.6% from the FY 13 budget. No rate adjustment is needed because revenue is forecast to increase by over $300,000 in FY 14 as Commonwealth College dormitories at UMass are scheduled to open next fall, substantially increasing water usage. Personnel costs increase in accordance with the collective bargaining settlement reached in 2011, plus an amount reserved for contract negotiations for the contract beginning in FY 14 and the addition of a half time secretary and the conversion of a mechanic position into two laborer positions. Operating expenses increase by 11.4% because of an increase in health benefit costs due to more employees electing coverage as well as an increase in the retirement assessment from the Hampshire County Retirement Board and the for the first time, the inclusion of a payment to the Other Post Employment Benefit (OPEB) Trust Fund, to fund health insurance benefits for retirees of the Water Fund. Capital funds will be appropriated to complete the following projects: upgrade the Centennial WTP; Water System Improvements; replacement vehicle, and; DPW Facility Improvements.

The overall Sewer Department budget of will increase by 2.9%, and sewer rates will increase by 2.9%. FY 14 will be the first year of payments for the Harkness Road and Wildflower Drive sewer extension project and will be the last year of payments for the Chapel/Mechanic Street sewer project. Capital projects include $100,000 for collection system improvements, $150,000 for treatment

system improvements, and $5,000 for DPW facility improvements.

I recommend the Select Board adopt the following motion:

> **The Select Board, acting as the Water and Sewer Commission as prescribed by the Amherst Town Government Act, hereby maintains the current water rate at $3.40/100 cubic foot and increases the sewer rate from $3.45/100 cubic foot to $3.55/100 cubic foot, effective July 1, 2013.**

SEWER FUND BUDGET PROJECTIONS/ USER CHARGE PROJECTIONS

	FY12 Actual	FY13 Projected	FY14 Projected
Other Operating Revenues	$208,926	$153,000	$153,000
Appropriation From Surplus	238,399	242,668	
Operating Expenses	(2,711,541)	(2,846,789)	(3,081,477)
Transfers to General Fund & Reserves	(323,032)	(336,333)	(333,949)
Current Debt	(309,013)	(320,066)	(432,990)
Proposed Debt			
Total Actual/Proposed Capital Expenses	(336,000)	(486,000)	(255,000)
User Charge Revenues Needed To Cover Costs	($3,232,261)	($3,593,520)	($3,950,416)
Rate Needed to Cover Costs	$3.21	$3.45	$3.66
Actual/Proposed Rate	$3.35	$3.45	$3.55
Usage (Hundreds Cu Ft)			
Projected	1,008,000	1,041,600	1,080,000
Actual Collected Against (Rev/Rate)	1,055,666		
Actual Billed (Rev/Rate)			
Budgeted User Charge Revenues	3,369,237		
Projected User Charge Revenues (billed)	3,376,800	3,593,520	3,834,000
Actual User Charge Revenues (collected)	3,536,481		
Outstanding balance			
Operating Surplus (Deficit)	**304,220**	**0**	**(116,416)**
Reserved for Expenditures	(242,668)	0	0
Capital Articles Closed out			
PY Encumbrances returned to Fund Balance			
Adjustment	36,971		
Sewer Fund Balance, Beginning of Year	1,611,219	1,709,742	1,709,742
Unreserved SF Balance, End of Year	**$1,709,742**	**$1,709,742**	**$1,593,326**
	46.5%	**42.9%**	**38.8%**
Amherst Annual Average Homeowner Bill @ 120 hundred cubic feet (90,000 gals.)	**$402**	**$414**	**$426**

WATER FUND BUDGET PROJECTIONS/ USER CHARGE PROJECTIONS	**FY12 Actual**	**FY13 Projected**	**FY14 Projected**
Other Operating Revenues	190,893	161,000	161,000
Appropriation from Surplus	478,543		0
Operating Expenses	(2,738,055)	(2,874,504)	(3,150,628)
Transfers to General Fund & Reserves	(415,568)	(427,641)	(449,409)
Current Debt	(703,688)	(298,850)	(294,850)
Proposed Debt			
Capital Expenses	(384,000)	(325,000)	(368,000)
User Charge Revenues Needed To Cover Costs	($3,571,875)	($3,764,995)	($4,101,887)
Rate Needed to Cover Costs - excluding other sources	**$3.32**	**$3.36**	**$3.42**
Rate Needed to Cover Costs - including other sources	**$2.93**	**$3.36**	**$3.42**
Rate susidized by surplus and other available funds	**$0.39**	**$0.00**	**$0.00**
Actual/Proposed Rates:			
Over 10,000	$3.30	$3.40	$3.40
Under 10,000	$3.30	$3.40	$3.40
Usage (Hundreds Cu Ft)			
10,000 - 100,000	682,641	510,000	590,000
Under 10,000	536,179	610,000	610,000
Total Usage (Hundreds Cu Ft)	1,218,820	1,120,000	1,200,000
Budgeted User Charge Revenues	3,696,000		
Projected User Charge Revenues (billed)	**$4,022,106**	**$3,808,000**	**$4,080,000**
Actual User Charge Revenues(collected)	**$3,753,913**		
Actual/Projected Operating Surplus (Deficit)	**182,038**	**43,005**	**(21,887)**
Appropriation from Surplus			
Other Adustments	-222,706		
Water Fund Balance, Beginning of Year	1,114,642	1,073,974	1,116,979
Unreserved WF Balance, End of Year	**$1,073,974**	**$1,116,979**	**$1,095,092**
Amherst Annual Average Homeowner Bill @ 120 hundred cubic feet (90,000 gals.)	396	408	408