



**CITY OF NORTHAMPTON, MASSACHUSETTS
DEPARTMENT OF PUBLIC WORKS**

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Donna LaScaleia
Director

Memorandum

To: Mayor David Narkewicz
From: Donna LaScaleia, Director of Public Works
Date: February 19, 2019
Re: FY20 Water and Sewer Rates

The Department of Public Works (DPW) has forecast and analyzed personnel and operating expenses, capital expenses and proposed capital projects inclusive of existing and anticipated debt service in the water and sewer enterprises as part of the FY20 budgeting process. Our analysis and subsequent recommendations are predicated upon a commitment to ensuring consistent and appropriate investments in infrastructure, maintaining adequate stabilization balances and establishing long term rate stability.

Water Enterprise:

The City operates, maintains and improves 160 miles of water lines, including two transmission mains that carry drinking water from Whately to the City limits. The City also operates, maintains and improves a 6.5 million gallon per day Water Treatment Plant, three active surface drinking water reservoirs and dams, 2 active wells, 2 pump stations, the 200,000 gallon Audubon Road storage tank, a corrosion control facility and over 3,000 acres of watershed land. All operations are closely monitored and regulated by the Environmental Protection Agency and the Massachusetts Department of Environmental Protection.

In FY18 and FY19, DPW administered \$1,423,881 in design and construction for waterline replacement on Chesterfield Road, Hatfield Street, Audubon Road, Day Avenue, North Farms Road, North Maple Street, Hinckley Street and Damon Road. We have requested \$2,875,000 through the FY2020-FY2024 Capital Improvement Plan (CIP) to continue waterline replacement in locations identified in the 2013 Water Asset Management Plan. We have also requested \$20,450,000 to fund Dam and Spillway Repairs, Transmission Main Relocation and improvements to the Leeds High Pressure System, with the understanding that these projects will be long duration and require extensive permitting and design work before construction is possible. The City received a state grant in October of 2018 for \$250,000, which will partially fund design for Dam and Spillway Repairs.

FY18 debt service in the enterprise was \$2,013,196, representing 29.35% of total revenue. This debt service is the result of a \$25,853,996 bond issuance for the construction of the Water Treatment Plant in 2006 and it does not clear the debt schedule until FY2028. The current water stabilization balance is \$1,955,596, and in prior years, funds have been expended from stabilization to support capital investment. The amount of existing debt service does not allow for the assumption of additional debt to support

remediating currently known infrastructure deficiencies, and therefore the scale of necessary work to correct those deficiencies will require higher revenue support.

Based on an analysis of usage for the past 66 months, we estimate that the proposed rate increases¹ would provide an additional \$161,784 in annual revenue. DPW will also be implementing a modest increase to quarterly fixed meter fees that will provide an additional estimated \$60,000 in annual revenue. This new revenue will be used either to fund as cash or to create debt capacity to fund through borrowing the major capital projects outlined in the CIP.

Sewer Enterprise:

The City operates, maintains and improves more than 110 miles of sewer lines, seven pump stations and a 15 million gallon per day Wastewater Treatment Plant (WWTP). All operations are closely monitored and regulated by the Environmental Protection Agency and the Massachusetts Department of Environmental Protection.

In FY18 and FY19, DPW administered \$510,962 in design and construction for sewer replacement on Audubon Road, Day Avenue, Hinckley Street and Damon Road. We have requested \$2,150,000 for sewer line replacement through FY2024.

In FY18 and FY19 at the WWTP, projects were completed to replace critical sludge pumps and to convert the Plant's effluent disinfection process from chlorine gas to sodium hypochlorite. These projects together represented a capital investment of \$1,063,627, funded through borrowing in prior years. As required by Massachusetts General Law, the City has retained an Owner's Project Manager and Designer for the next phase of upgrades, primarily focused on upgrading the Plant's electrical infrastructure and aeration processes. Contracts for these services total \$1,662,111. Through the CIP, we have requested \$22,000,000 over the next five years for construction of these and other upgrades, and based on planning level estimates from the 2015 Comprehensive Wastewater Management Plan, we anticipate an additional \$65,000,000 in needed funds to support future capital plans beyond FY2024 for both treatment and collection. We currently have a balance of \$10,109,715 in sewer enterprise stabilization, and we anticipate using \$8,500,000 of this balance to partially cover capital construction costs in excess of \$15,000,000 in FY20-FY22. Additional funding for construction will be through the Clean Water State Revolving Fund.

The scale of proposed upgrades will require higher revenue support. Based on an analysis of usage for the past 66 months, we estimate that the proposed rate increase² would provide an additional \$156,436 in annual revenue for the enterprise. This new revenue will be used either to fund as cash or to create debt capacity to fund through borrowing the major capital projects outlined in the CIP.

¹ Tier 1 consumption, meter ≤ 1 "': FY20 proposed rate for 0-16 Ccf is \$4.51 per Ccf, an increase of 2.5% over the FY19 rate.

Tier 2 consumption, meter ≤ 1 "': FY20 proposed rate for >16 Ccf is \$6.09 per Ccf, an increase of 2.5% over the FY19 rate.

Meter >1"': FY20 proposed rate for all consumption is \$5.99 per Ccf, an increase of 2.5% over the FY19 rate.

² Non-metered based on 80% metered water consumption: FY20 proposed rate is \$7.86 per Ccf, an increase of 2.5% over the FY19 rate.

Metered: FY20 proposed rate is \$7.86 per Ccf, an increase of 2.5% over the FY19 rate.