Water & Sewer FY2026 Rate Proposal

City Council File ID 25-1103

June 12, 2025



Agenda

- Water & Sewer Enterprise Expenses
 - Operations & Maintenance
 - Administration & Billing
 - Improvements for FY26
 - Capital Investment Plan
 - Long Term Financial Plan & FY26 Revenue Requirement
 - Current Financial Status & FY26 Rate Proposal
- Affordability & Fairness
 - Rate Payer Assistance Program Previous Conclusions & Next Steps
 - Proposed Billing Structure Changes

Water & Sewer Enterprise Expenses

What do the rates pay for next year?

Water & Sewer Operations & Maintenance

Critical work to deliver safe drinking water, safely handle sewage and stormwater, and provide on-demand fire protection Delivering Vital Life-Sustaining Services 24 hours a day, 365 days a year

Quality Water



Safe Sewer Services



Fire Suppression



Overseeing Our Water & Sewer System

- 116 miles of water mains
- 183 miles of sewer mains
- 4,800+ manholes
- 3,600+ catch basins
- **1,600+** fire hydrants
- 29,000+ water & sewer connections



Sustaining Aging Infrastructure

- Aging Infrastructure: Many of our underground water pipes date back to the late 1800s, significantly increasing the risk of failures and service disruptions.
- Rising Maintenance Costs: There is growing concern about the escalating cost of maintaining and repairing these aging systems.
- Increased Material Costs: The cost of pipe and fittings required for repairs continues to rise, further straining maintenance budgets and long-term sustainability.



Snapshot of Select Water Services FY25

Emergency Responses:

 Addressed 59 urgent issues to ensure public health and safety.

Non-Emergency Maintenance:

 Completed 140 tasks (curb stop resets, hydrant and valve replacements) to maintain system reliability.

Water Quality Monitoring:

- Collected 84 water samples *monthly* to ensure safe, compliant drinking water.
- Lead Sampling:
 - Collected 20 samples from homes and 2 from schools/daycares annually to monitor and reduce lead exposure.



Snapshot of Select Sewer Operations FY25

- Responded to over 244 Q-alert/311 request in the last year
- Over 2,500 Dig safe requests
- Over 46 sewer back-ups
- 102 Catch basin issues
- 73 Manhole cover matters
- Hydraulicly clean 7,759 ft of sewer line
- Secured property on 508 Columbia St to set up staging area to offload catch basin tailings for catch basin cleaning to be disposed of



Administration and Billing

Critical support work to operate a public utility



Managing Administration & Billing

Ratio = 1 Full-Time Clerk per 8,000 accounts

~51,000 bills generated each year ~67,000 bills per year after FY27 start of quarterly billing ~16,000 accounts & water meters

Two Principal Clerks

Growing Admin Needs

- Increased Accounts: Real estate market & condo conversions are driving new accounts
- New Stormwater Enterprise Fund: requires management
- Final Bill Requests: produced daily for real estate property sales
- Research & bill dispute: capacity needs to match demand
- WaterScope: great service, but reports require follow-up coordination (leaks, etc.)
- **General admin:** Rising account maintenance, meter tracking, document management needs
- Modernization & Service
 Improvements: intensive and critical
 efforts require staff management/time
 investment



Advancing Key Projects & Improvements

800+ fiscal tier adjustments to lower retroactive bill costs

Meter Replacement Project: **94%** complete

All paper meter files/records converted to e-format Integrating intake activities with 311 QAlert System

Advancing Key Projects & Improvements

Created new MUNIS Utility Billing Manual Weekly MUNIS Technical Training Sessions

Bi-weekly meetings w/ Customer Service & Billing Teams Task Resolution Tracker (TRT) Issue Resolution System

Operational Improvements for FY26

Billing & Admin Staffing Plan

- Proposing 4 positions:
 - Principal Clerk: Utility Billing Operations Support (Union)
 - Principal Clerk: Front Office/Customer Service (Union)
 - Service Operations Manager
 - Utility Billing Manager



Field Staffing plan

✓ SMEU Unit B contract executed

Targeted recruitment strategies:

 Mass Municipal Association, Mass Water Works, NE Water Works, and others

Targeted W&S Hiring Working Group:

- W&S, Human Resources, IAM, DPW, Auditing, Mayor's Office, Comms, IGA
- Reviewing DPWs training & development

Mayor Summer Jobs workforce:

• They support us now, we hope to attract them as hires in the future

Leadership Staffing Plan

- W&S, Finance, IAM, Mayor's Office
 - All involved in new Director search and evaluation
 - All in support of additional positions
 - Filling positions now will put new Director in a position to succeed
 - HR is supporting this top priority need to both fill positions and recruit a new Director
 - W&S positions are exempt from temporary hiring freeze (both due to essential priority and separate funding via Enterprise fund)

Capital Investment Plan

Primary driver for future rate increases

Aging infrastructure

90% pipes are over 50 years old

• 70% are older than 100 years



Guiding Principles for CIP Project Selection

- Fulfill Regulatory Requirements
 - Comply with Administrative Orders and Permits
 - Mitigate CSOs
- Improve Level of Service
 - Increase capacity to deliver water
 - Decrease sewer system backups
- Mitigate Flooding
 - Add capacity and storage to reduce surface flooding
- Reduce Risk
 - Rehabilitate or replace pipes before they fail
 - Prioritize pipes with greatest impact
 - Add water valves and sewer manholes to improve operations & maintenance

Sewer debt service projection



Morrison Ave & MROSS Projects





- Preliminary designs complete
- Final design initiation requires W&S rate proposal approval

Long-range rate projections

Avoid year-to-year swings and future rate shock

Rate model and dashboard





Revenues vs. Expenses



Stabilization Fund



		EX 0007	EV 0000	EV 0000	EV 0000	EV 0004	EV 0000	EV 0000	EX 0004	EV 0005
	FY 2020	FY 2027	F Y 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Revenues	\$18,210,539	\$26,136,907	\$29,926,302	\$31,592,049	\$33,272,255	\$35,039,642	\$36,899,159	\$38,159,021	\$39,427,418	\$40,728,699
Operating Expenses	\$18,970,264	\$19,746,235	\$20,555,461	\$21,399,422	\$22,279,672	\$23,197,833	\$24,155,604	\$25,154,762	\$26,197,166	\$27,284,764
Net Debt Service	4,435,767	5,380,992	5,616,710	7,365,114	8,325,127	9,215,072	10,244,643	11,289,352	12,813,743	13,178,725
Cash Funded Projects	-	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955
Total Expenses	\$23,406,031	\$25,333,227	\$26,384,350	\$28,983,082	\$30,829,901	\$32,644,760	\$34,639,057	\$36,690,089	\$39,264,264	\$40,724,444
Net Cash Flow	(\$5,195,491)	\$803,679	\$3,541,952	\$2,608,967	\$2,442,354	\$2,394,882	\$2,260,102	\$1,468,932	\$163,154	\$4,255
Stablization Fund Balance	\$1,022,683	\$1,020,227	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202
Operating Fund Balance	\$1,296,939	\$1,930,494	\$4,272,232	\$6,028,457	\$7,678,091	\$9,295,522	\$10,826,108	\$11,859,526	\$12,074,065	\$12,186,442
Total Fund Balance	2,319,622	2,950,721	5,292,434	7,048,659	8,698,293	10,315,724	11,846,310	12,879,728	13,094,267	13,206,644
Total Debt Service	\$4 904 051	\$5 973 799	\$7 237 151	\$8,638,058	\$9 538 049	\$10 412 725	\$11 394 361	\$12 145 069	\$13 182 560	\$13 490 805

Operating fund target & Revenues vs. Expenses

Keep fund balance near but above revenue requirement target projection, create ability to cash-fund capital projects

Net Cash Flow (\$ M) \$1.65 -\$5.



Stabilization Fund





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Debt service coverage, Debt service to Revenue ratio



Goal: Manage debt service within targets to maintain bond rating and keep capital projects affordable

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Revenue	es \$18,210,539	\$26,136,907	\$29,926,302	\$31,592,049	\$33,272,255	\$35,039,642	\$36,899,159	\$38,159,021	\$39,427,418	\$40,728,699
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Stablization Fund Baland	e \$1,022,683;	\$1,020,227	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202	\$1,020,202
Operating Fund Baland	e \$1,296,939	\$1,930,494	\$4,272,232	\$6,028,457	\$7,678,091	\$9,295,522	\$10,826,108	\$11,859,526	\$12,074,065	\$12,186,442
Total Fund Baland	e 2,319,622	2,950,721	5,292,434	7,048,659	8,698,293	10,315,724	11,846,310	12,879,728	13,094,267	13,206,644
Total Debt Servic	e \$4,904,051	\$5,973,799	\$7,237,151	\$8,638,058	\$9,538,049	\$10,412,725	\$11,394,361	\$12,145,069	\$13,182,560	\$13,490,805

FY2026 Revenue Requirement

Fixed costs make up between 66-84% FY26 Water Budget



FY26 Sewer Budget

Fixed costs make up between 71%-84% of the annual budget



FY2026 Revenue Requirements: Water



FY2026 Revenue Requirements: Sewer



Impact of no rate increases in FY2025

Proposal of 9.5% for Water and 5% for Sewer failed to pass, creating dire financial circumstances for FY2026

Water FY25 – 9.5% Proposed Increase





- Projected 10% increase for FY26 & FY27; Reduce thereafter
- Revenue & expenses balanced
- Build up cash to offset future debt
Water FY26 – Financials without increase





- Stabilization reduced by \$1.7M in FY24 to minimum level in FY25
- Debt coverage and operating funds below targets
- Requires 40% rate hike in FY27 to balance

Sewer FY25 – 5% Proposed Increase





- Projected 15% increase for FY26 & FY27; reduce thereafter
- Revenue & expenses balanced
- Build up cash to offset future debt

Sewer FY26 – Financials without increase





- Stabilization reduced to minimum level
- Debt coverage, Debt/Revenue & Operating Fund below targets
- Requires 20% rate hike in FY27 to balance

FY23 to FY26+ Fixed Cost Increase



- WATER Debt Service
- WATER MWRA ASSESSMENT
- SEWER Debt Service
- SEWER MWRA ASSESSMENT

FY2026 Proposal

Water FY26 – 18% increase





- Projected 18% for FY27, 10% for FY28 & FY29; Reduce thereafter
- \$1.5M taken from Stabilization; Revenue & expenses balanced
- No cash buildup to offset future debt, which becomes problematic

Sewer FY26 – 12% increase





- Projected 12% increase for FY27 & FY28; reduce thereafter
- Revenue & expenses balanced
- Build up cash to offset future debt

Improving Affordability

Rate Payer Assistance Program

Rate Payer Assistance

- Affordability program efforts thus far stymied by legal constraints
 - Massachusetts law prohibits many financial-means-test subsidies for utilities
 - Utility billing and Enterprise Funds must be based on utility use
- Still committed to evaluating affordability programs
- Will remain a priority for Department and new Director
- Item ID 25-1069 I/I Fee will increase revenue collected from developers

Billing Structure Changes

Improve fairness and reduce burden on small residential users

Billing Structure Changes

- Align base rate scaling with industry standards for fairness
 - Current structure collects too little revenue from large users; therefore, 1-, 2-, & 3-Family users are paying more than their fair share
- Reduce volumetric tiers from 5 to 3 and shift brackets to simplify billing & increase fairness
 - Current structure puts 2- & 3-Family users into higher tier; therefore, they are paying more than their fair share
- Introduce charges based on impervious area to offset sewer bills based on water use to increase fairness
 - Current structure ignores the cost of stormwater runoff; therefore, residential users are paying more than their fair share
- Details provided in Presentation Appendix

Resulting net changes to bills

Bill Impacts – Residential (Tri-Annual Bills)

Residential		C	urrent	7	//1/2025	% Change	1	L/1/2026	% Change
Single Family	Water	\$	157	\$	181	15%	\$	181	0%
5/8" Meter	Sewer	\$	304	\$	315	4%	\$	230	-27%
Annual Use 60 CCF	Stormwater						\$	173	
	Total	\$	462	\$	496	7 %	\$	583	18 %
Three Family	Water	\$	397	\$	469	18%	\$	469	0%
5/8" Meter	Sewer	\$	736	\$	809	10%	\$	571	-29%
Annual Use 47 CCF	Stormwater						\$	111	
	Total	\$	1,133	\$	1,278	13%	\$	1,150	-10%
Large Condo	Water	\$	67,133	\$	79,585	19%	\$	79,585	0%
4" Meter	Sewer	\$	125,140	\$	136,536	9%	\$	94,675	-31%
Annual Use 7,204.5 CCF	Stormwater						\$	7,138	
	Total	\$	192,274	\$	216,121	12 %	\$	181,398	-16%

Bill Impacts – Commercial (Bi-Monthly Bills)

Commercial		С	urrent	7	/1/2025	% Change	1	/1/2026	% Change
Mixed Use	Water	\$	2,997	\$	3,554	19%	\$	3,554	0%
3/4" Meter	Sewer	\$	5,402	\$	6,058	12%	\$	4,189	-31%
Annual Use 320.5 CCF	Stormwater						\$	1,069	
	Total	\$	8,399	\$	9,612	14 %	\$	8,812	-8%
Large Commercial	Water	\$	709	\$	850	20%	\$	850	0%
1" Meter	Sewer	\$	1,296	\$	1,480	14%	\$	1,036	-30%
Annual Use 82 CCF	Stormwater						\$	10,420	
	Total	\$	2,006	\$	2,330	16%	\$	12,307	428%
Restaurant	Water	\$	588	\$	697	19%	\$	697	0%
3/4" Meter	Sewer	\$	1,079	\$	1,216	13%	\$	848	-30%
Annual Use 69 CCF	Stormwater						\$	152	
	Total	\$	1,667	\$	1,913	15%	\$	1,698	-11%

FY26 Rate Proposal Summary

- Water volumetric rate increase: 18% on average
- Sewer volumetric rate increase: 12% on average
- Reduction in number of residential volumetric tiers and increase in base charge scaling to reduce burden on most residential customers and align with actual costs
- Mid-year addition of Stormwater fee to allow for property owner control, reduce Sewer charges, and align with actual costs

Water & Sewer FY2026 Rate Proposal Appendix

City Council File ID 25-1103

June 12, 2025 Additional details



Changes to Billing Structure

Objectives & Components

Align bills with costs

Balancing Objectives



Elements of Rates

Charge Type



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Elements of Rates- Base Charge



Options for Scaling Base Charge

- Represents cost that the utility incurs in standing ready to serve customers when their demands occur 24/7
- Cost should scale by meter size



Elements of Rates- Volume Charge



Volumetric Charge Considerations

- Considering the treatment of multi-unit properties with a single meter
- Analyzing the tier breakpoints for residential, using the most current census data and volumetric trends
- Evaluating the appropriateness of commercial tiers in light of industry standards

Volume Charge

Residential Tri-Annual

Tier	Volume CCF	Rate
1	0-8	\$4.20
2	9-13	\$4.68
3	14-67	\$6.74
4	68-133	\$7.06
5	>133	\$7.34

	Commercial B	I-IVIONINIY
Tier	Volume CCF	Rate
1	0-10	\$4.68
2	11-100	\$6.74
3	101-200	\$7.06
4	>200	\$7.34

Residential Tiers

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Currently Five Tri-Annual Tiers in Place

Tier	Volume CCF	Rate
1	0-8	\$4.20
2	9-13	\$4.68
3	14-67	\$6.74
4	68-133	\$7.06
5	>133	\$7.34



Simplicity

80% of Volume



Tiers as currently constructed can do not account for multiple units, resulting in higher bills for multiple units

Proposed changes

Align with industry standard and increase fairness

Base Charges – Water

Current

Meter Size	Current Scaling	Base Charge - Residential (Tri-Annual)	Base Charge - Commercial (Bi-Monthly)
5/8"	1.0	\$20	\$10
3/4"	1.0	\$20	\$10
1"	1.0	\$20	\$10
1 1/2"	2.0	\$40	\$20
2"	3.2	\$64	\$32
3"	6.0	\$120	\$60
4"	10.0	\$200	\$100
6"	20.0	\$400	\$200
8"	20.0	\$400	\$200

Revised

AWWA Scalin g	Base Charge - Residential (Tri-Annual)	Base Charge - Commercial (Bi-Monthly)	Base Charge - All Classes (Quarterly)
1.0	\$20	\$10	\$15
1.5	\$30	\$15	\$22.50
2.5	\$50	\$25	\$37.50
5.0	\$100	\$50	\$75
8.0	\$160	\$80	\$120
21.75	\$435	\$217.50	\$326.25
37.5	\$750	\$375	\$562.5
80.0	\$1,600	\$800	\$1,200
140.0	\$2,800	\$1,400	\$2,100

AWWA scaling would increase water base charge revenues by \$240,000 per year

Base Charges – Sewer

Current

Meter Size	Current Scaling	Base Charge - Residential (Tri-Annual)	Base Charge - Commercial (Bi-Monthly)
5/8"	1.0	\$40	\$20
3/4"	1.0	\$40	\$20
1"	1.0	\$40	\$20
1 1/2"	2.0	\$80	\$40
2"	3.2	\$128	\$64
3"	6.0	\$240	\$120
4"	10.0	\$400	\$200
6"	20.0	\$800	\$800
8"	20.0	\$800	\$800

Revised

AWWA Scaling	Base Charge - Residential (Tri-Annual)	Base Charge - Commercial (Bi-Monthly)	Base Charge - All Classes (Quarterly)
1.0	\$40	\$20	\$30
1.5	\$60	\$30	\$45
2.5	\$100	\$50	\$75
5.0	\$200	\$100	\$150
8.0	\$320	\$160	\$240
21.75	\$870	\$435	\$653
37.5	\$1,500	\$750	\$1,125
80.0	\$3,200	\$1,600	\$2,400
140.0	\$5,600	\$2,800	\$4,200

AWWA scaling would increase sewer base charge revenues by \$475,000 per year

Usage Rates – Revised Residential Water and Sewer

1 Small Household Typical Indoor Usage	
Description	Value
People per Household	1.10
Typical Indoor Use (Gallons per Capita per Day)	58.6
Typical Essential Domestic Use (CCF/ Tri-Annualy)	12

	2 Average Household Typical Indoor Usage	
Tier 2	Description	Value
	People per Household	2.19
	Typical Indoor Use (Gallons per Capita per Day)	58.6
	Typical Essential Domestic Use (CCF/ Tri-Annualy)	24

Tier 3 All Additional

Use

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Tier 1

Tri-Annual Billing

Tier	Usage	Water	Sewer
1	0-12	\$7.30	\$12.51
2	13-24	\$9.13	\$15.63
3	Over 24	\$10.95	\$18.76



Quarterly Billing

Tier	Usage	Water	Sewer
1	0-9	\$7.30	\$12.51
2	10-18	\$9.13	\$15.63
3	Over 18	\$10.95	\$18.76

Assumes 18% water rate revenue increase and 12% sewer revenue increase in FY26

Usage Rates - Commercial Water and Sewer

Tier	Usage	Water Rate	Sewer Rate
1	0-13	\$6.17	\$12.52
2	14-67	\$8.88	\$15.97
3	68-133	\$9.30	\$16.75
4	Over 133	\$9.67	\$17.34

Recommend maintain current commercial water and sewer usage rate structure (4-Tiers)

Assumes 18% water rate revenue increase and 12% sewer revenue increase in FY26

Ouertarly Dilling

Bi-Monthly Billing

Tier	Usage	Water Rate	Sewer Rate
1	0-13	\$7.28	\$14.02
2	14-67	\$10.48	\$17.89
3	68-133	\$10.97	\$18.76
4	Over 133	\$11.41	\$19.42

Tier	Usage	Water Rate	Sewer Rate
1	0-19	\$7.28	\$14.02
2	20-100	\$10.48	\$17.89
3	101-200	\$10.97	\$18.76
4	Over 200	\$11.41	\$19.42

Additional changes to billing coming mid-FY2026

Stormwater runoff based on impervious area

Current bill

- Water
 - Base Rate
 - Meter size
 - Volumetric Rate
 - Metered water use
- Sewer

- Base Rate
 - Meter size
- Volumetric Rate
 - Metered water use

Current bill

- Water
 - Base Rate
 - Meter size
 - Volumetric Rate
 - Metered water use

Sewer

- Base Rate
 - Meter size
- Volumetric Rate
 - Metered water use

Proposed bill

- Water
 - Base Rate
 - Meter size
 - Volumetric Rate
 - Metered water use
- Sewer
 - Base Rate
 - Meter size
 - Volumetric Rate
 - Metered water use
- Stormwater
 - Impervious area

Current bill

- Water
 - Base Rate
 - Meter size
 - Volumetric Rate
 - Metered water use

Sewer

- Base Rate
 - Meter size
- Volumetric Rate
 - Metered water use

- Revenue neutral
 - Sum of citywide bills same a current
- Individual customers shift based on usage
 - Pay less if small impervious area
 - Pay more if large impervious area

Proposed bill

- Water
 - Base Rate
 - Meter size
 - Volumetric Rate
 - Metered water use
 - Sewer
 - Base Rate
 - Meter size
 - Volumetric Rate
 - Metered water use
- Stormwater
 - Impervious area
Why make the change?

To align revenue with costs, and to create credits that reduce capital improvement costs

Sewer Enterprise



Stormwater not related to water use

- Target water use
 - ~ five 2-family homes
- Target impervious area
 - ~ 20 times that of those 5 properties combined



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Impervious area distribution

Residential

58%

Stormwater Fee Credits

- Stormwater fee credit is an ongoing reduction in the fee charged to a qualifying property in return qualifying stormwater management
- Credit is recognition that onsite/offsite stormwater management reduces the City's stormwater expenditures
- Credits encourage property owners to proactively manage their stormwater impact



We know on-site management works

- Engineering Driveway & Paving Permit
 - <u>https://s3.amazonaws.com/somervillema-live/s3fs-public/driveway-paving-permits-brochure.pdf</u>
- Engineering Site Plan Permit
 - Infiltrate/detain first ³/₄-inch runoff
 - Reduce peak rate from 10-year storm to mimic 2-year storm
 - <u>https://s3.amazonaws.com/somervillema-live/s3fs-public/engineering-site-permit-rules-regs.pdf</u>
- Green Stormwater Infiltration Guidance
 - <u>https://s3.amazonaws.com/somervillema-live/s3fs-public/gsi-planning-guidance.pdf</u>



Stormwater Fees



CSO reduction from on-site management

2050 Typical Year CSO Discharge Volume



