



CITY OF SOMERVILLE, MASSACHUSETTS
WATER & SEWER DEPARTMENT
JOSEPH A. CURTATONE
MAYOR

To: Honorable President and Members of the City Council
From: John DeLuca, Director, Water & Sewer
Alex Marini Lessin, Director of Finance & Administration, Water & Sewer
Re: Considerations for Water and Sewer Owner-Occupied Exemption
Date: June 27, 2019

The City looks forward to a robust discussion regarding the implementation of an owner-occupied exemption for Somerville residents' water and sewer charges.¹

The Water & Sewer Department has begun the work of linking the assessor's property database with the water and sewer account database, which is a critical technical step to implementing an owner-occupied exemption. We anticipate this being a complicated data merge and therefore anticipate devoting significant time to addressing this critical implementation step.

In the meantime, we wanted to begin a discussion with the Council about policy questions related to the implementation of an owner-occupied exemption. Below we provide a preliminary, but not comprehensive, list of questions that have been raised in internal discussions.

1. Current rate payers are charged a fixed base charge along with volumetric charges based on water usage. Should both the base charge and volumetric charges be included in the exemption?
2. Water and sewer charges are assessed based on water usage measured by a water meter. Due to the nature of the internal plumbing within multi-unit residences, meters often measure usage for multiple units. How should we treat a multi-unit building with one meter in which some units are owner occupied and others are not? For example, if a resident owner occupies one unit of a three-family property but rents out the other two units, should that owner receive an exemption on all water and sewer charges? Alternatively, how do we handle the exemption in a condo building where some units are owner occupied and others are rented out?
3. How should we treat mixed-use buildings that have commercial and residential entities but only one water meter?
4. The law requires the exemption to be revenue neutral, which means rate payers who do not qualify for the exemption will have to pay more to make up the exempted charges.

¹ "AN ACT AUTHORIZING THE CITY OF SOMERVILLE TO OFFER AN EXEMPTION FOR CERTAIN OWNER OCCUPIED RESIDENTIAL PROPERTIES FOR WATER AND SEWER CHARGES AND RATES." Chapter 298 of the 2018 Session Laws

Given this, what is the appropriate exemption percentage? How must water and sewer rates be adjusted to make up for the exempted charges?

5. Should we use the same asset verification process for the water and sewer charge exemption that is used for the property tax exemption?
6. In addition to the cost of maintaining our distribution system, the City purchases drinking water and wastewater and sewer services at a wholesale cost from the MWRA. Current water & sewer charges cover both the wholesale costs to MWRA as well as the cost to maintain our system. Given this, should only the maintenance portion of the bill be discounted?
7. Should the discount be limited to three or four unit residences?
8. Given that approximately 67% of Somerville residents rent their homes and that their water usage costs are generally folded into their total rental payments with water bills going to property owners, what measures could ameliorate the impact of shifting costs from owner-occupants to renter-occupants? Should there be protections for small businesses to ameliorate the impacts of shifting costs from owner-occupants to commercial entities of all sizes?