

Town of Ayer

Rate Review Committee

******DRAFT**** Meeting Minutes from February 28, 2023**

Attendance: Jannice Livingston (Chair); Andrew Sealey (Fin Com); Rick Skoczylas (joined meeting at 4:15pm); Dan Van Schalkwyk (DPW Director); Kimberly Abraham (Water/Sewer Superintendent); Pam Martin (DPW Business Manager); Robert Pontbriand (Town Manager)

Also in Attendance: Carly Antonellis, Assistant Town Manager; Dave Fox and Alex Burkard of Raftelis.

Call to Order: The meeting was called to order at 4:03pm on Zoom. J. Livingston stated that the original meeting was posted for in-person on February 23, 2023 but due to the timing of the impending snowstorm today, the meeting was moved to Zoom and an updated agenda was posted on February 27, 2023. All votes at today's meeting will be by roll call vote.

Approval of Meeting Minutes:

The Rate Review Committee reviewed the DRAFT meeting minutes from the February 7, 2023 meeting.

Motion: A motion was made by B. Tierney and seconded by A. Sealey to approve the February 7, 2023 meeting minutes. **Motion Passed (7-0) by Roll Call Vote:** J. Livingston, Y; A. Sealey, Y; D. Van Schalkwyk, Y; K. Abraham, Y; P. Martin, Y; R. Pontbriand, Y; B. Tierney, Y. (Note: R. Skoczylas was not logged on at this point in the meeting)

Presentation on the Water and Sewer Rate Model and the Proposed FY 2024 Water and Sewer Rates:

R. Pontbriand introduced Dave Fox and Alex Bukard of the consultant firm Raftelis who have reviewed and updated the Town's Water and Sewer rate model and will make a brief presentation on the updated model as well as some proposed rate recommendation scenarios based on the updated model for consideration by the Committee.

[R. Skoczylas joined the meeting]

Dave Fox thanked R. Pontbriand and made a brief presentation (see attached presentation).

Dave Fox stated that the purpose of the Rate Study and the Rate Model is to ensure long term financial sustainability and viability for the Town's Water and Sewer Enterprise Funds. He further advised that water rates across the country are increasing by 5% per year, on average and that sewer rates are increasing by 6% per year, on average. Inflationary impacts, aging infrastructure, and declining consumption are some of the biggest challenges impacting utilities throughout the country.

Dave Fox outlined the five tasks of their study which was project initiation and management; customer data analysis; develop comprehensive financial plans; data analysis tools and rate model development; and today's report/presentation.

Dave Fox advised that for FY 2024 using the update Rate Model, Raftelis would recommend a two percent (2%) increase for the Water Rates. This assumes a 1% decrease in consumption and assumes reserve funds are not utilized to offset the rate increase. He further advised that they recommend a five percent (5%) increase for the Sewer Rates. This assumes a 1% decrease in consumption and assuming reserve funds are not utilized to offset rate increase.

Dave Fox continued that based on their analysis the Water Enterprise is projected to operate at a surplus until FY 2024 with minor rate increases. Annual sewer rate increases will maintain the reserve fund levels at a sustainable position in the Sewer Enterprise. The Town's financial plan and model should be updated annually to modify plan of rate increases as needed.

Dave Fox provided an overview of operating reserve funds key points as highlighted in his presentation (see attached presentation). He also reviewed several scenarios with the Committee as highlight in his presentation. These scenarios illustrate the implications of having no rate increases with respect to both the Water and Sewer Enterprise Funds and project out to FY 2033.

Dave Fox stated that if the Committee were to adopt the 2% rate increase for water and the 5% rate increase for sewer, the average customer would see a \$30 increase in their annual bill for FY 2024.

J. Livingston stated that the recommendation for a 2% water rate increase falls in line with what we have been doing historically. She is concerned about the 5% sewer rate increase as historically we have been doing between 3% to 3.75%. We also have about \$2 million in sewer reserves and could some of that be used this year to offset a sewer rate increase? Some points to think about.

P. Martin stated that the presentation and rate recommendations makes sense and overall are reasonable. She would also like to see the Town increase the quarterly minimum for usage something that has not been done in the last 20 years if ever.

Dave Fox stated that increasing the quarterly minimum would make good sense.

R. Pontbriand asked for clarification on what the increases for the quarterly minimums would be.

Dave Fox stated that it would be a .20 cent increase on the water quarterly usage minimum and a .50 cent increase on the sewer quarterly usage minimum.

Andrew Sealey asked what is driving the increased costs for both Enterprise funds?

Dave Fox stated that it is the increased capital costs to address aging infrastructure and new standards of treatment mostly.

D. Van Schalkwyk added that there are significant improvements needed at the Wastewater Treatment Plant over the next two years.

Andrew Sealey stated that his concern is that even with the 5% rate increase in sewer it is not linear and we would likely need more of an increase.

Dave Fox stated that if the Town were to increase the water by 2% and the sewer by 5% for FY 2024 the average consumer will see a \$30 increase on their bill. If the Town increased the sewer by 4.5% and the water by 2% they would see a \$27.70 increase on their bill. If water was increased 2% and sewer was increased 4% than it would be a \$25.000 increase on their bill and if a 3.5% increase on sewer and 2% on water it would be a \$22.50 increase on their bill.

The slight decreases from the 5% on sewer are negligible in terms of the cost impact the average annual bill.

J. Livingston stated that may be the case, but a lot of people are on fixed incomes and struggling so every dollar counts. Also, we need to be mindful of the public perception of increases. No one likes increases but they are necessary evils.

Andrew restated that his concern is that the 5% increase for sewer is not enough outside of the 10-year period or by 2033. Could we use some surplus to pay down some of the debt?

B. Tierney stated that we do that with some of the smaller projects already and we tend to borrow for the larger projects.

D. Van Schalkwyk pointed out that these model scenarios consider the Town funding all of the capital needs. There are some ARPA funds as well as the Federal Infrastructure Bill which could be possibilities for some of these costs.

R. Pontbriand asked what the Committee thought about the 2% for water and 4.5% instead of 5% for the sewer?

Andrew Sealey stated that he likes the 2% for water and the 5% for sewer as we should be paying now.

P. Martin stated that though the 5% for sewer is a hit, there are things people can do in terms of reducing their water usage and other conservation measures.

Andrew Sealey asked what accounts for the decrease in 1% for consumption that is assumed in the model.

Dave Fox stated that most of that 1% decrease is high efficiency appliances and more conservation awareness we are seeing among users.

K. Abraham stated that we need to continue to educate the public about the importance of conservation measures and efficiencies but also the importance of clean water and for the 5% increase this is helping us achieve and maintain these goals.

J. Livingston asked if the Committee had an inclination toward the 4.5% for sewer or the 5% recommendation.

There was consensus by the Committee that though no one likes rate increases, that the 5% for sewer makes sense and is in the best interests of the Town with a minimal cost impact to the typical user. There is no issue with the 2% for water.

Review/Discussion/Vote on the Proposed FY 2024 Water and Sewer Rate Recommendations:

Motion: A motion was made by B. Tierney and seconded by K. Abraham to recommend the following rate recommendations to the Select Board as follows: 2% increase in the water rates for FY 2024, effective July 1, 2023 and a 5% increase in the sewer rates for FY 2024, effective July 1, 2023 and to recommend that the quarterly minimum usage rates be increased by .20 cents for water and .50 cents for sewer effective July 1, 2023. **Motion Passed (7-1) by Roll Call Vote:** J. Livingston, Y; A. Sealey, Y; B. Tierney, Y; D. Van Schalkwyk, Y; K. Abraham, Y; P. Martin, Y; R. Pontbriand, Y; R. Skoczylas, N.

Presentation on Proposed FY 2024 Water and Sewer Connection Fees:

D. Van Schalkwyk presented a memo regarding his recommendation on increasing the FY 2024 water and sewer connection fees (see attached memo). He advised that the connection fees were last updated in 2021 and that the connection fees are for past and future costs. For the water connection fees he is proposing an increase from \$4500 to \$48000 for the 1 inch to 2 inch connection services. He is also recommending that the sewer connection fee increase from \$5400 to \$6000.

The Committee reviewed the memo and recommendations and there was consensus that the recommendations were fair and equitable.

Motion: A motion was made by A. Sealey and seconded by R. Skoczylas to recommend that the water and sewer connection fees as recommended and proposed by the DPW Director in his memo be recommended to the Select Board for their consideration and to be effective July 1, 2023.

Motion Passed (8-0) by Roll Call Vote: J. Livingston, Y; A. Sealey, Y; B. Tierney, Y; D. Van Schalkwyk, Y; K. Abraham, Y; P. Martin, Y; R. Pontbriand, Y; R. Skoczylas, Y.

Scheduling of Public Hearing for the FY 2024 Water and Sewer Rate Recommendations to the Select Board:

The Committee agreed to set the Public Hearing for the FY 2024 Water and Sewer Rate Recommendations as part of the Select Board Meeting on Monday, March 27, 2023 at 6pm.

J. Livingston advised that the meeting on March 27, 2023 at 6pm will be by Zoom only due to scheduling conflicts with the Select Board.

Scheduling of Next Meeting:

The Committee did not schedule a next meeting and will wait until after Town Meeting in April to schedule a meeting.

Adjournment:

Motion: A motion was made by R. Skoczylas and seconded by A. Sealey to adjourn the meeting at 5:06pm. **Motion Passed (8-0) Roll Call Vote:** J. Livingston, Y; A. Sealey, Y; B. Tierney, Y; D. Van Schalkwyk, Y; K. Abraham, Y; P. Martin, Y; R. Pontbriand, Y; R. Skoczylas, Y.

Meeting adjourned at 5:06pm.

Meeting minutes recorded and submitted by R. Pontbriand, Town Manager

Meeting minutes reviewed and approved by the Committee on _____

Signed: _____
Robert A. Pontbriand, Town Manager

Attachments:

Town of Ayer Proposed FY 2024 Water and Sewer Rates Presentation by Dave Fox of Raftelis

FY 2024 Proposed Water and Sewer Connection Fees Recommendation Memo from the DPW Director

DRAFT

Town of Ayer

Proposed FY 2024 Water & Sewer Rates
Rate Review Committee Meeting
February 28th, 2023



Overview of Rate Study in Ayer, MA

- Purpose of Rate Study
 - › Ensure long term financial sustainability and viability for the Town's Water and Sewer Funds
- Current Industry Trends and Challenges
 - › Water rates across the country are increasing by 5% per year, on average
 - › Sewer rates across the country are increasing by 6% per year, on average
 - › Inflationary impacts, aging infrastructure, and declining consumption are some of the biggest challenges impacting utilities throughout the country

Project Approach



Task 1: Project Initiation and Management



Task 2: Customer Data Analysis



Task 3: Develop Comprehensive Financial Plans



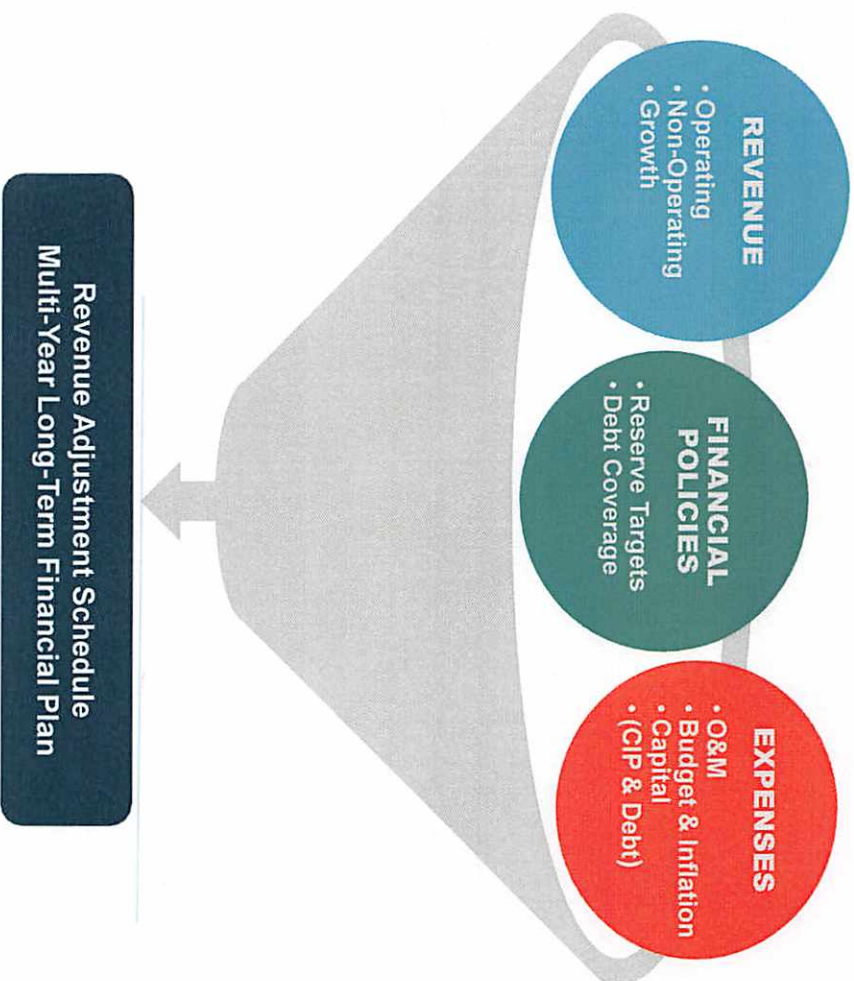
Task 4: Data Analysis Tools and Rate Model Development



Task 5: Reports and Presentations

Financial Plan

Financial Plan
models yearly cash
flow and reserve
balances



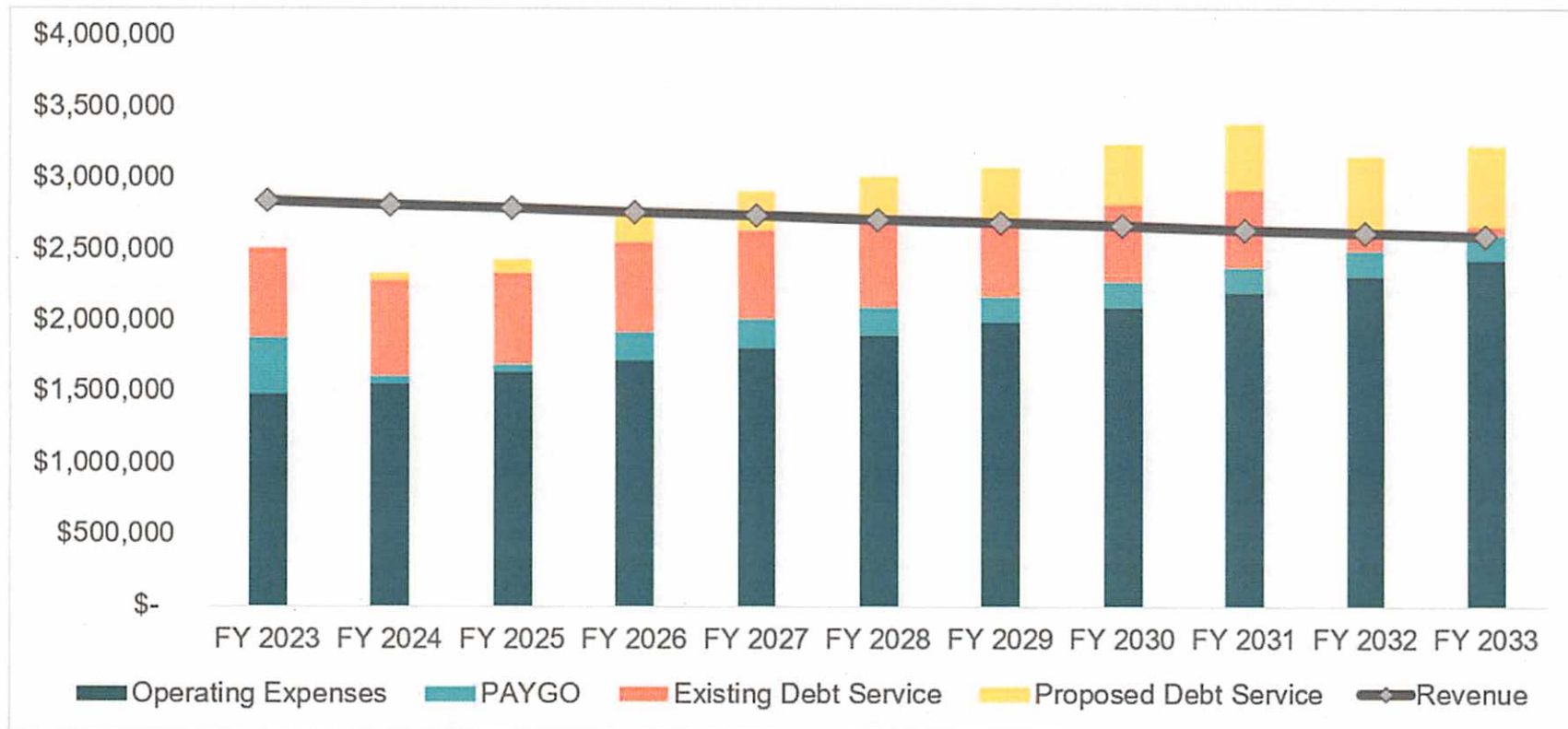
FY 24 Rate Increases Using Raftelis Assumptions

- 2.0% across-the-board rate increase is recommended for water rates
 - › Assuming 1% decrease in consumption each year
 - › Assuming Reserve Funds are not utilized to offset rate increase
- 5.0% across-the-board rate increase is recommended for sewer rates
 - › Assuming 1% decrease in consumption each year
 - › Assuming Reserve Funds are not utilized to offset rate increase
- Water utility is projected to operate at a surplus until FY 2027 with minor rate increases
- Annual sewer utility rate increases will maintain reserve fund levels at a sustainable position
- Financial plan should be updated annually to modify plan of rate increases as needed

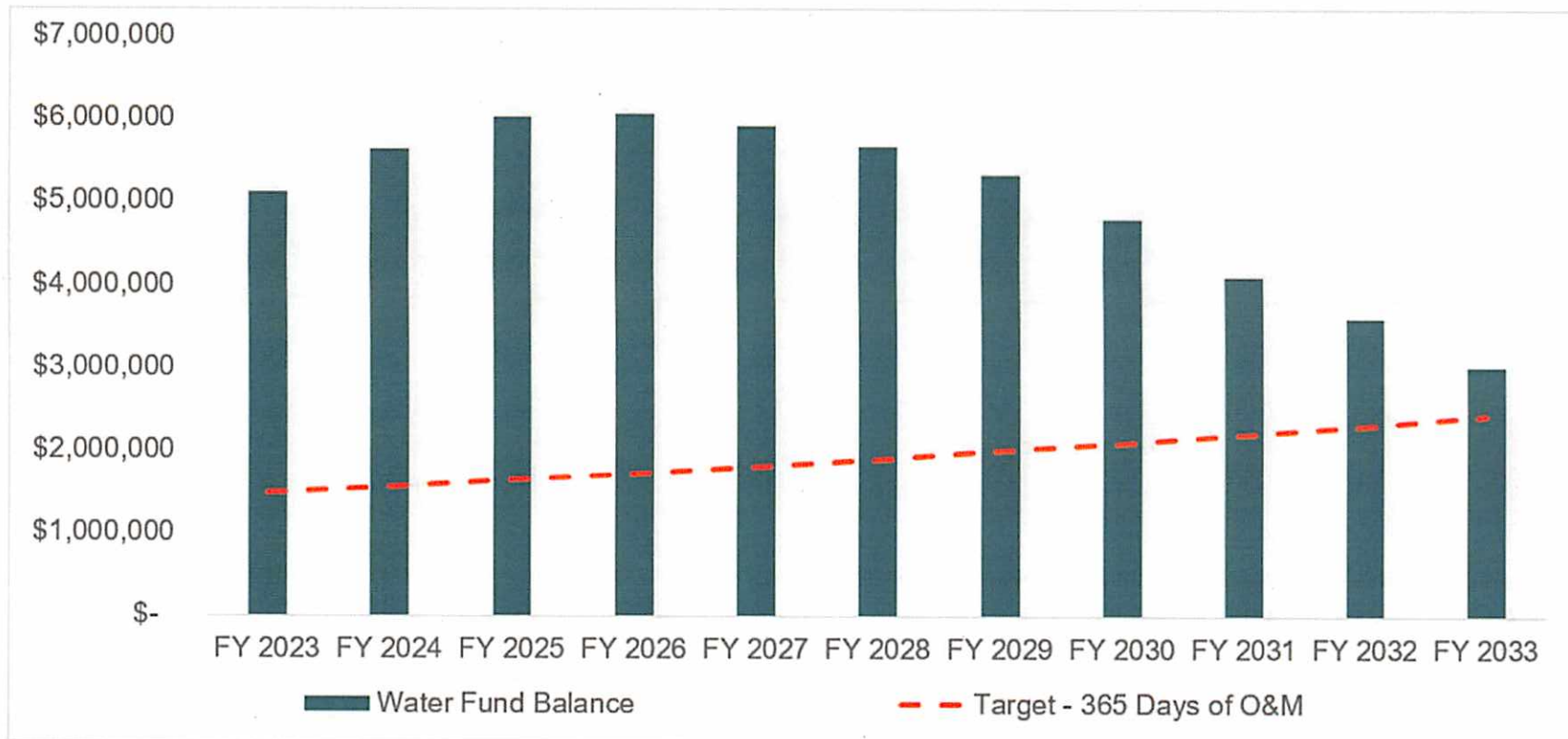
Operating Reserve Funds Key Points

- Reserves help the utilities maintain financial self-sufficiency and sustainability
- Reserves can help prevent the need for rate hikes in response to emergency expenses or revenue shortfalls, providing customers with rate stability
- Using reserve funds to offset rate increases in the short term can lead to major rate hikes and potential rate shock in the long run
- Industry best practices recommend water and sewer reserve funds maintain a higher relative cash balance than the Town's general fund due to the volatility of water and sewer revenues
- 2019 Fitch Ratings water and sewer medians for the Northeast Region is 464 Days of O&M

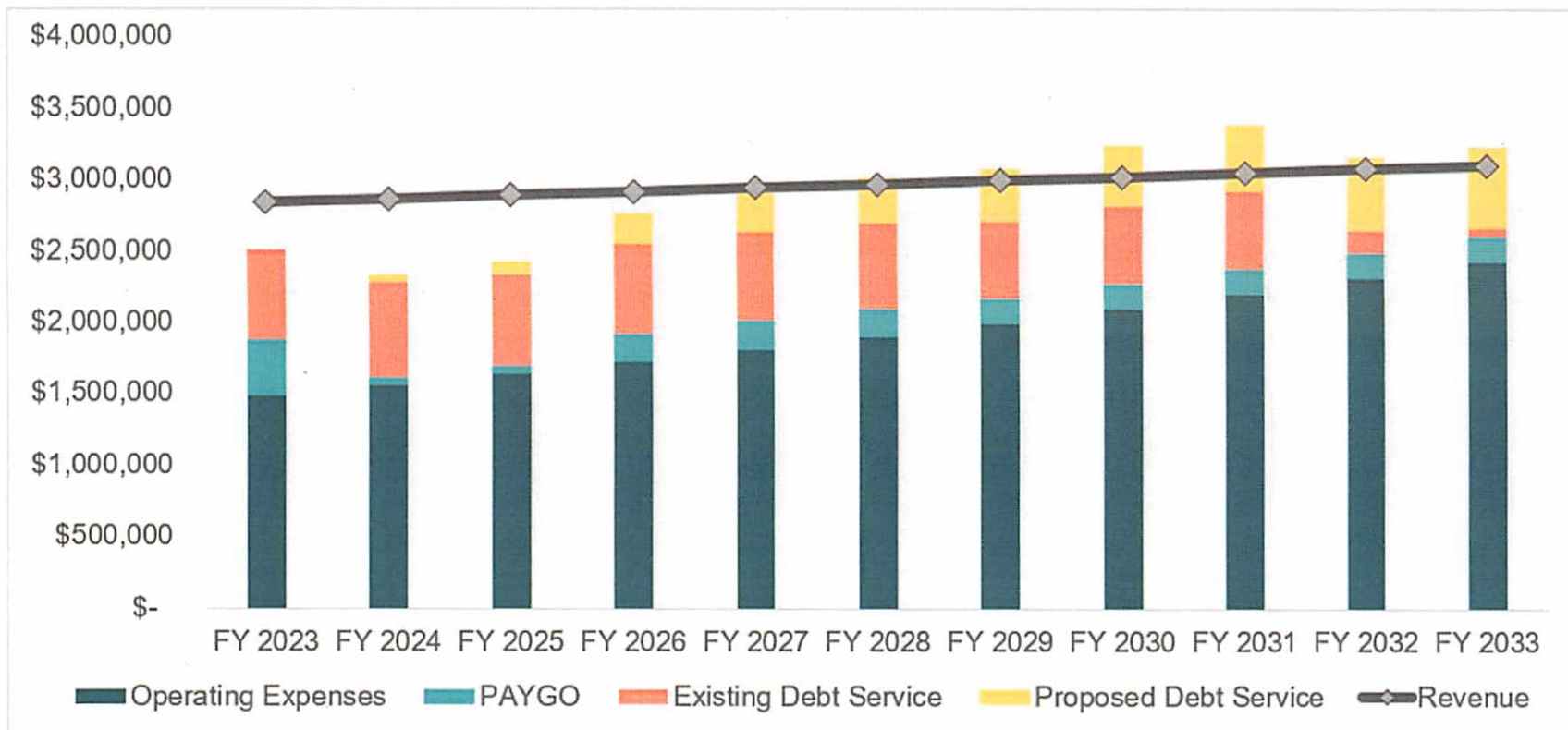
Projected Water Cash Flows with No Rate Increases



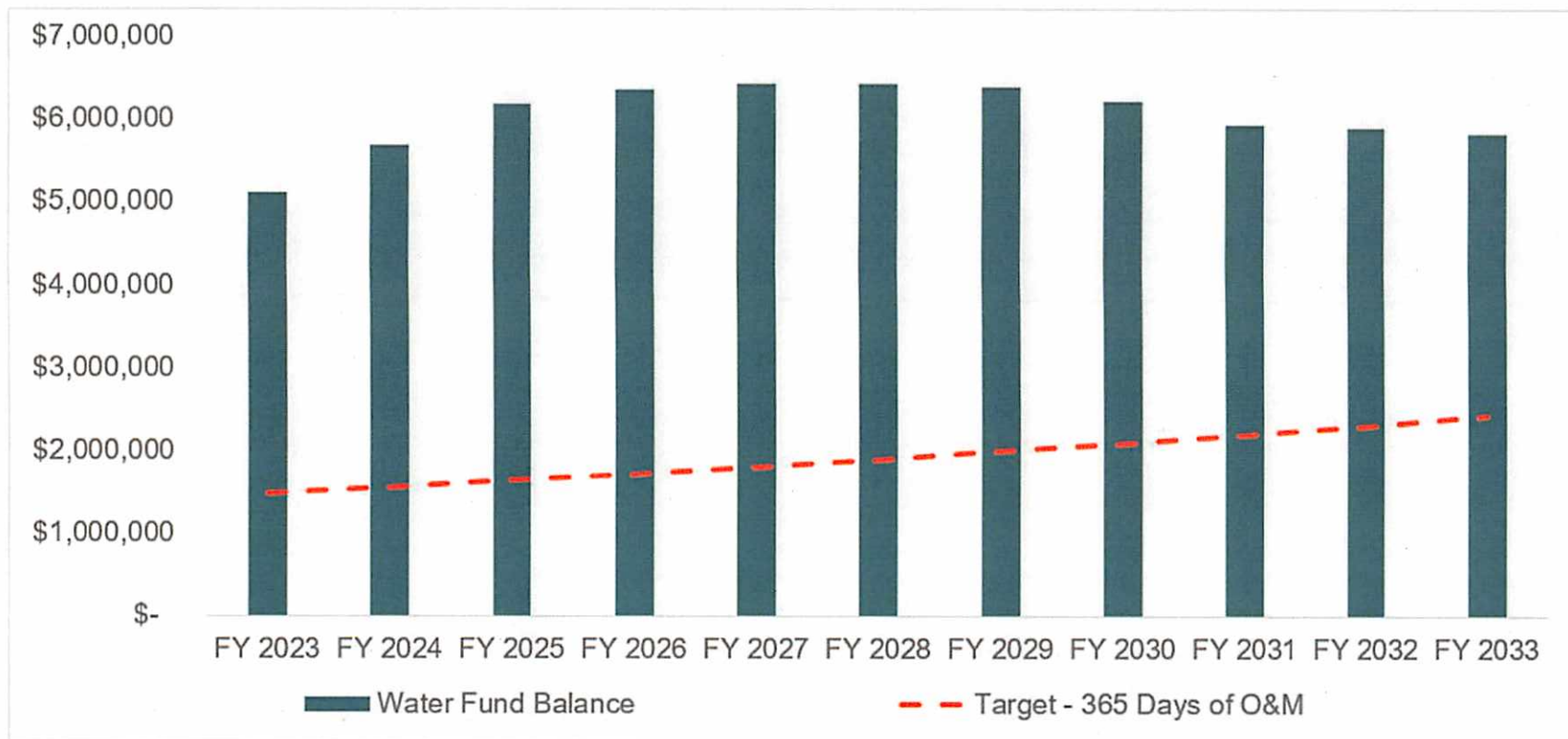
Projected Water Reserve Fund Balance with No Rate Increases



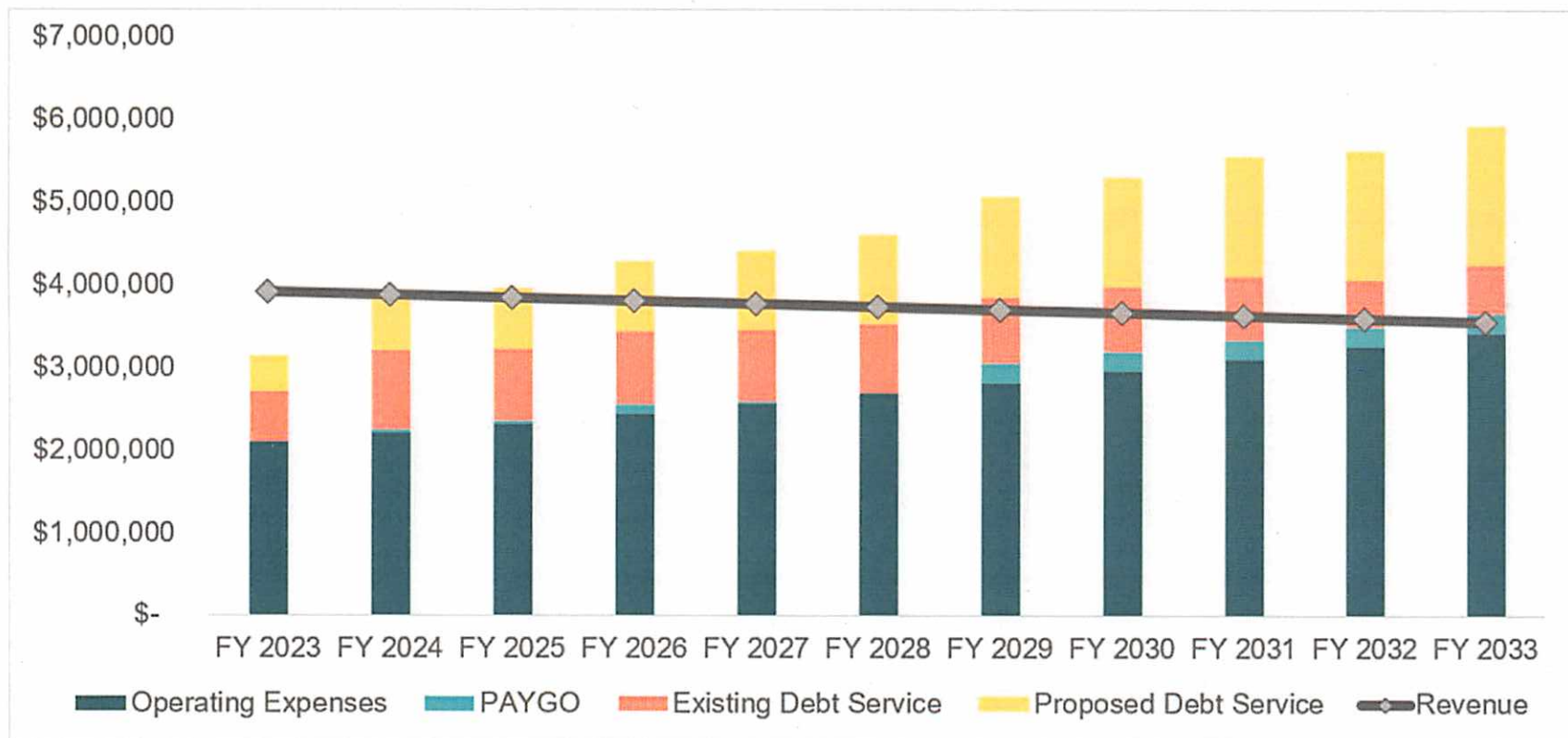
Projected Water Cash Flows with Recommended Rate Increase



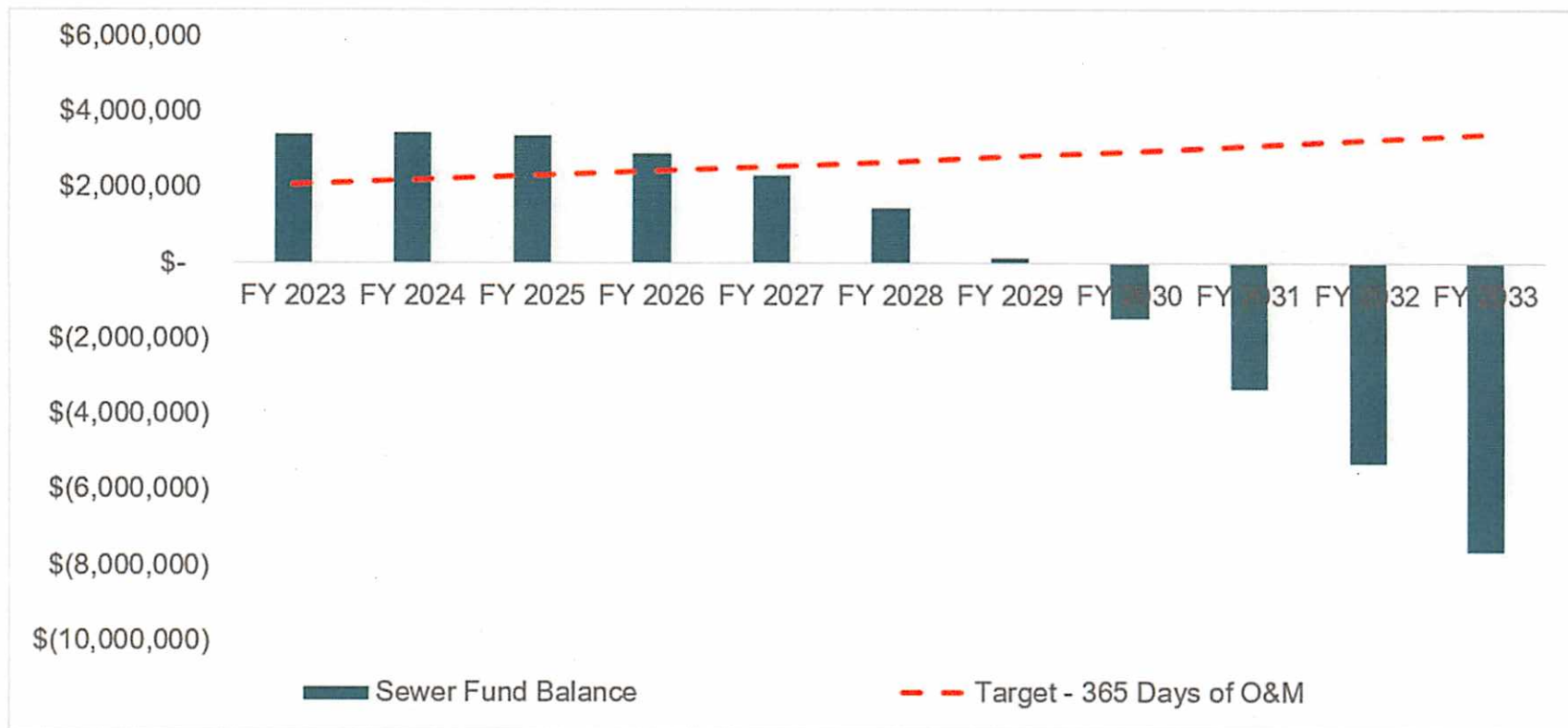
Projected Water Reserve Fund Balance with Recommended Rate Increase



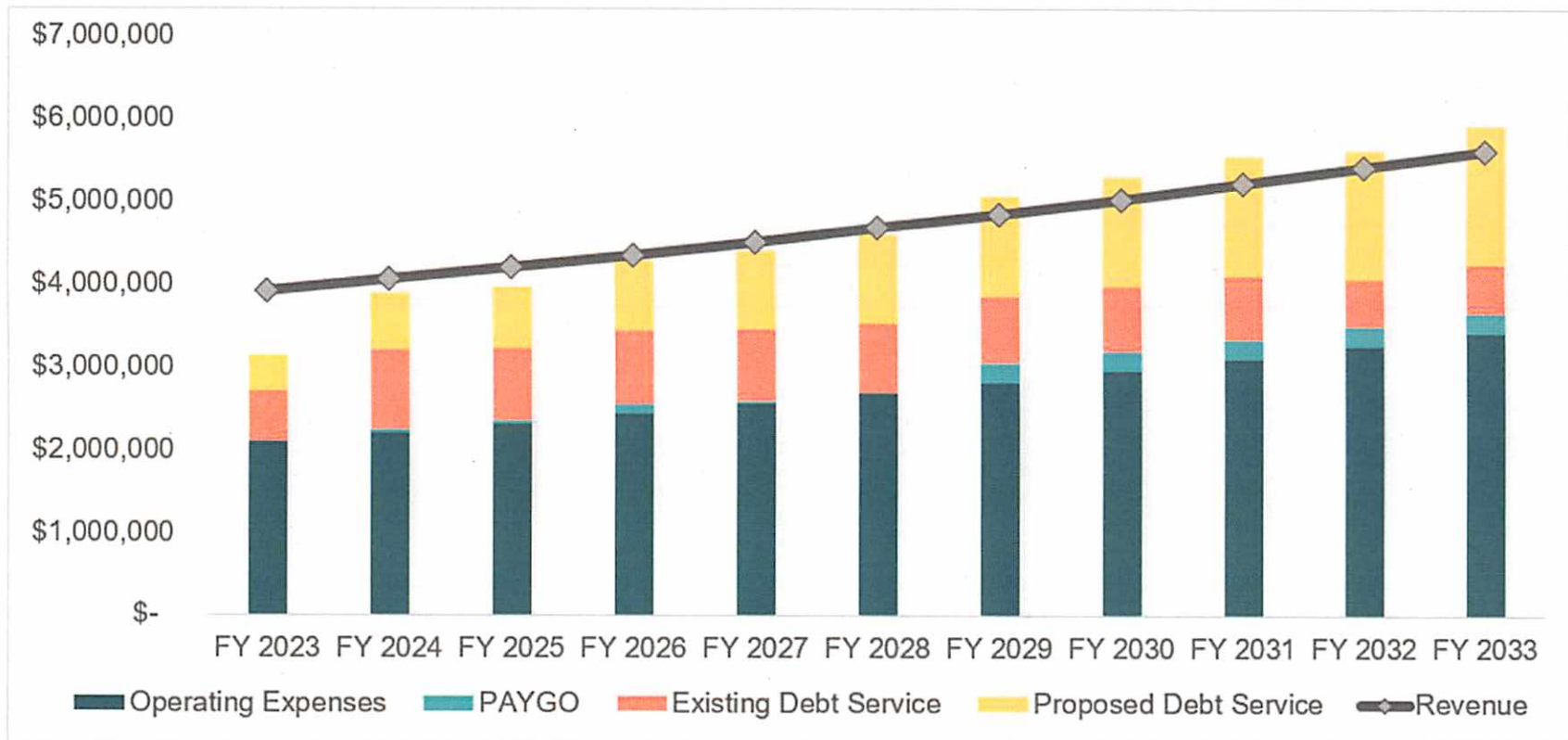
Projected Sewer Cash Flows with No Rate Increases



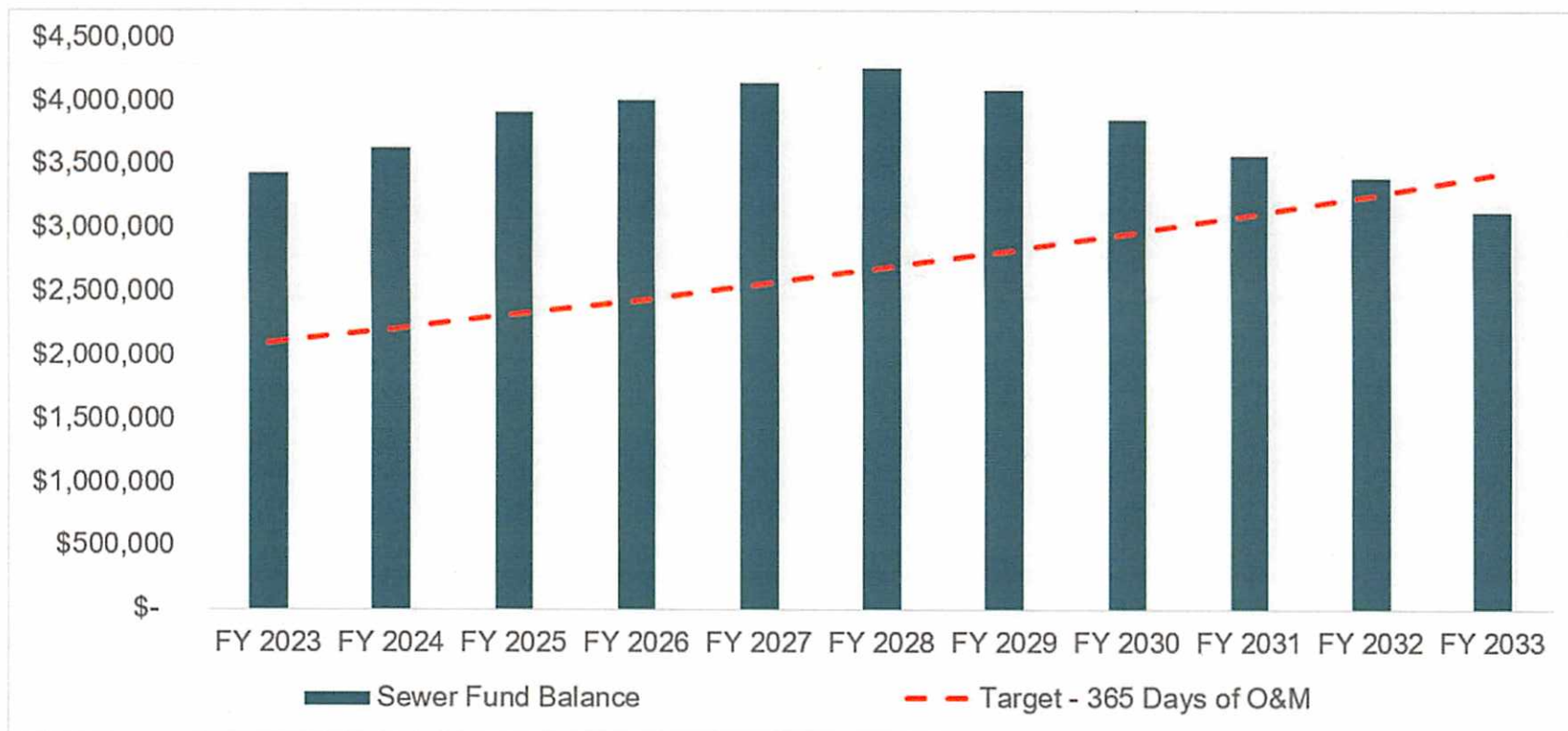
Projected Sewer Reserve Fund Balance with No Rate Increases



Projected Sewer Cash Flows with Recommended Rate Increases



Projected Sewer Reserve Fund Balance with Recommended Rate Increase



Historical Quarterly Minimum Rate Comparison

Utility	Class Type	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (Projected)
Water	Residential	\$10.00	\$10.00	\$10.00	\$10.00	\$10.20
Water	Irrigation	10.00	10.00	10.00	10.00	10.20
Water	Commercial	10.00	10.00	10.00	10.00	10.20

Utility	Class Type	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (Projected)
Sewer	Residential	10.00	10.00	10.00	10.00	\$10.50
Sewer	Commercial	10.00	10.00	10.00	10.00	10.50

Historical Quarterly Tiered Rate Comparison

Utility	Class Type	Tier (CCF)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (Projected)
Water	Residential	0 - 30	\$2.62	\$2.88	\$2.95	\$3.01	\$3.07
Water	Residential	30 - 60	3.24	3.56	3.65	3.72	3.79
Water	Residential	> 60	3.84	4.22	4.33	4.42	4.51

Utility	Class Type	Tier (CCF)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (Projected)
Water	Irrigation	0 - 30	\$3.84	\$4.22	\$4.33	\$4.42	\$4.51
Water	Irrigation	30 - 60	3.84	4.22	4.33	4.42	4.51
Water	Irrigation	> 60	3.84	4.22	4.33	4.42	4.51

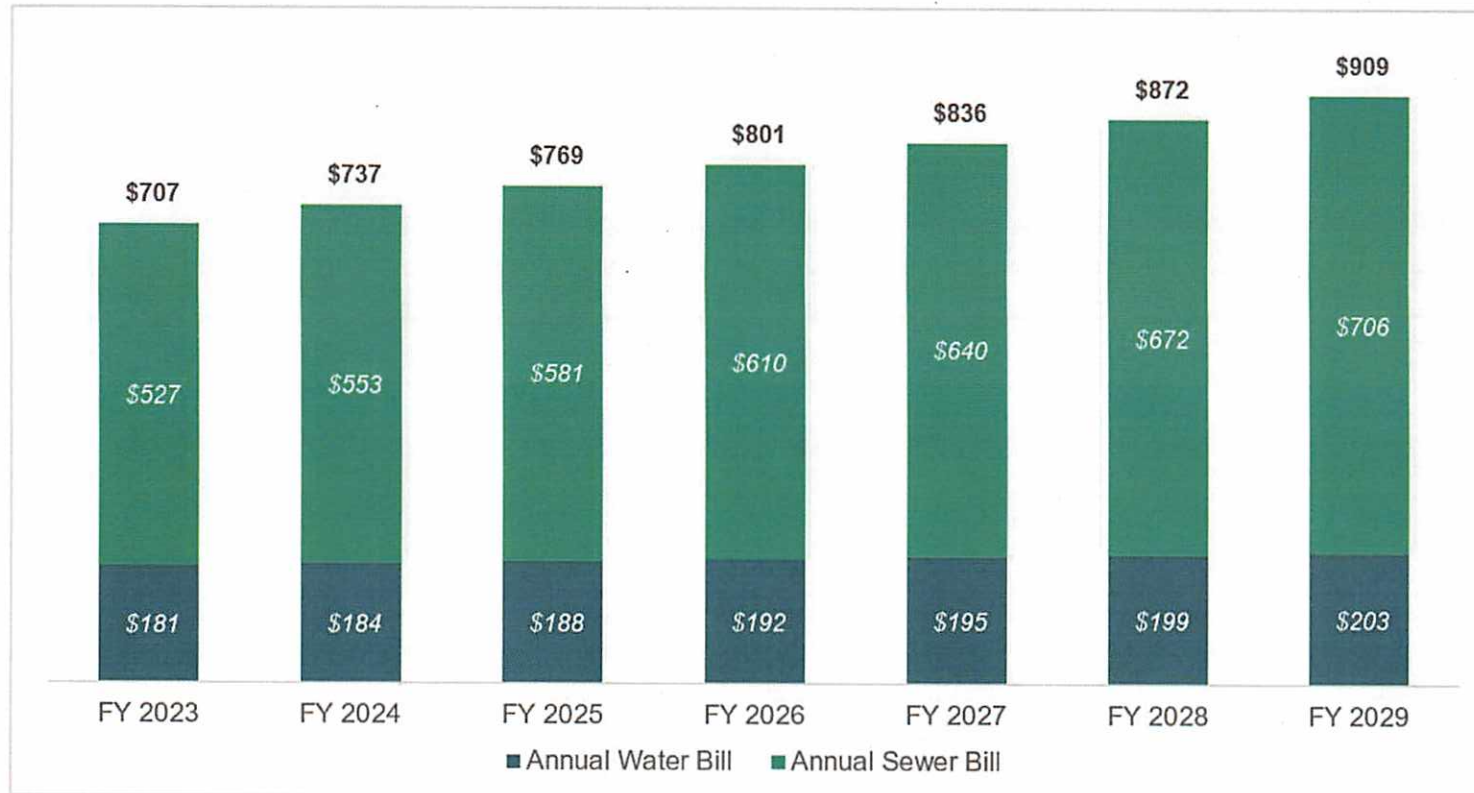
Utility	Class Type	Tier (CCF)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (Projected)
Water	Commercial	0 - 30	\$2.62	\$2.88	\$2.95	\$3.01	\$3.07
Water	Commercial	30 - 60	3.24	3.56	3.65	3.72	3.79
Water	Commercial	> 60	3.84	4.22	4.33	4.42	4.51

Historical Quarterly Tiered Rate Comparison (Cont.)

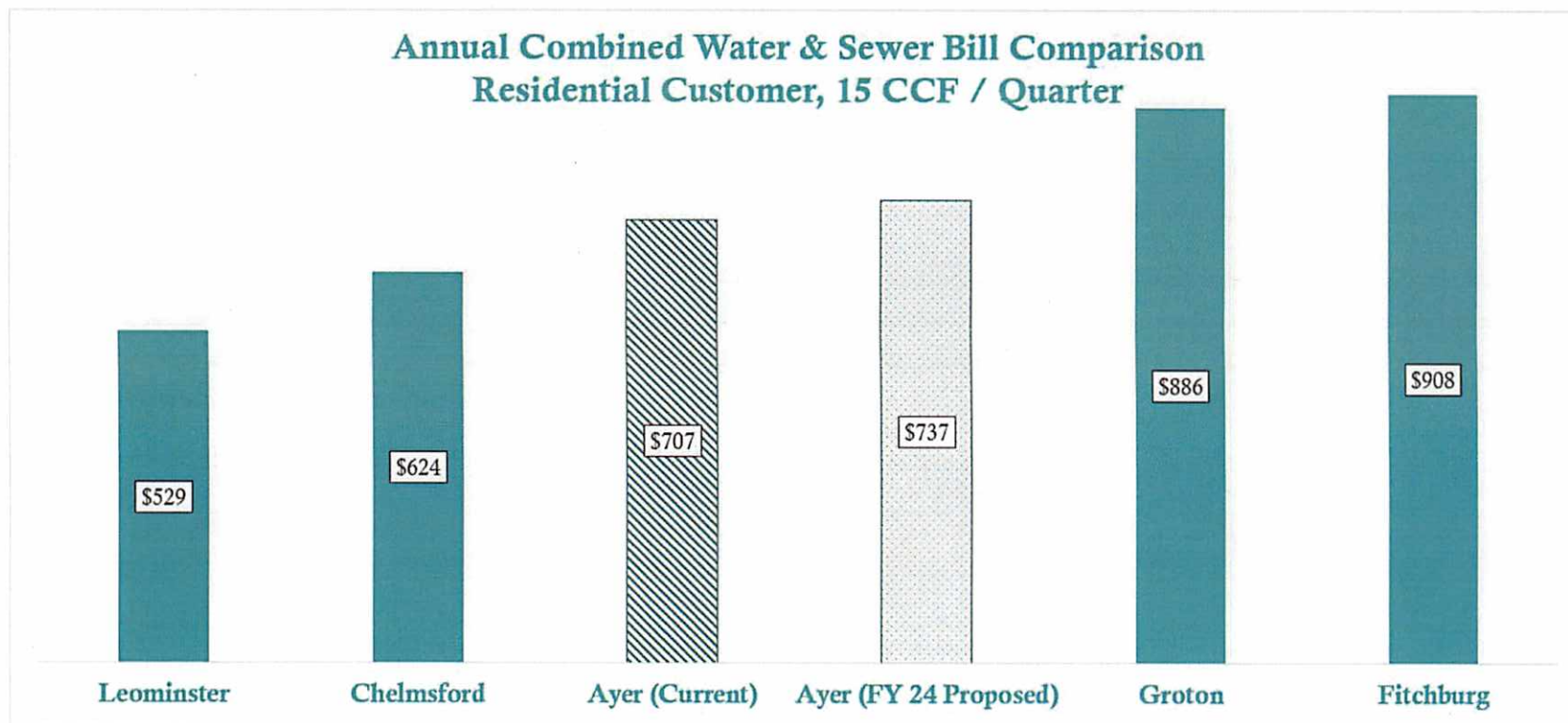
Utility	Class Type	Tier (CCF)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (Projected)
Sewer	Residential	0 - 30	\$7.90	\$8.16	\$8.57	\$8.78	\$9.22
Sewer	Residential	30 - 60	9.05	9.34	9.81	10.06	10.56
Sewer	Residential	> 60	10.30	10.63	11.16	11.44	12.01

Utility	Class Type	Tier (CCF)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (Projected)
Sewer	Commercial	0 - 30	\$7.90	\$8.16	\$8.57	\$8.78	\$9.22
Sewer	Commercial	30 - 60	9.05	9.34	9.81	10.06	10.56
Sewer	Commercial	> 60	10.30	10.63	11.16	11.44	12.01

The Typical SFR Customer Will See a \$30 Annual Bill Increase in FY 2024



Annual Peer Bill Comparison



What's Next?



Step 1: Receive Feedback from Rate Committee



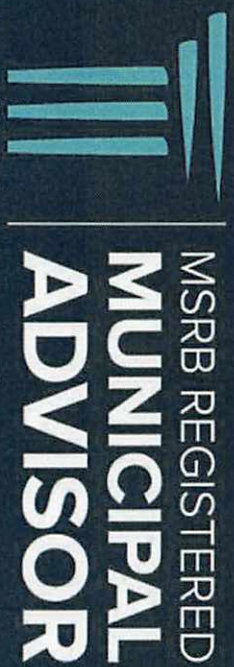
Step 2: Finalize Rate Recommendations



Step 3: Financial Planning Model Demo with Ayer Staff



Step 4: Update Financial Planning Model Annually



Rattellis is a Registered Municipal Advisor within the meaning as defined in Section 15B (e) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (Municipal Advisor Rule).

However, except in circumstances where Rattellis expressly agrees otherwise in writing, Rattellis is not acting as a Municipal Advisor, and the opinions or views contained herein are not intended to be, and do not constitute "advice" within the meaning of the Municipal Advisor Rule.



Thank you!

Contact: Dave Fox

774 243 0619 / dfox@raftellis.com

DEPARTMENT OF PUBLIC WORKS

Water, Wastewater, Highway & Solid Waste Divisions

Dan Van Schalkwyk, P.E., Director
Kimberly Abraham, Water and Sewer Superintendent
Matt Hemon, P.E., Town Engineer
Pam Martin, Business Manager

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Memorandum

Date: February 22, 2023

To: Water & Sewer Rate Committee

From: Dan Van Schalkwyk, P.E., DPW Director

Re: Proposed FY24 Water and Sewer Connection Fees

In addition to the water and sewer usage rates, there are a number of additional fees charged for specific water and sewer related activities. The primary fees are the Water and Sewer Connection Fees, which cover the past and future costs of providing the capacity in the water supply and wastewater collection and treatment system required for a new connection.

The connection fees are calculated on the estimated water usage and wastewater volume generated. The fees are based on the Equivalent Residential Unit (ERU) for the estimated the cost to provide water and sewer service for a single family, 3 bedroom house (365 gpd water and 330 gpd wastewater).

The proposed fees have been calculated to include the cost of PFAS media replacements, new well source investigation and construction, water storage maintenance at the water supplies, and Inflow / Infiltration removal in the sewer collection system.

The current and proposed Water Connection fees are as follows:

	Current	Proposed
Connection Fee - 1" Service	\$4,500 per ERU	\$4,800 per ERU (\$1,600 per bedroom)
Connection Fee - 1 -1/2" Service	\$4,500 per ERU	\$4,800
Connection Fee - 2" Service	\$4,500 per ERU	\$4,800

Connection fees for 3-inch and above would remain at current fixed rates. There are very few of these size connections.

The current and proposed Sewer Connection fee is as follows:

	Current	Proposed
Connection Fee per ERU (330 gpd)	\$5,400	\$6,000

The fees were calculated based on the cost of construction:

- Grove Pond treatment plant improvements for supply increase
- Estimated cost of the well number 3 and additional PFAS treatment for Spectacle Pond Wellfield
- Cost of 1-million-gallon storage tank
- Wastewater I/I removal

The fees do not include the costs of operating and maintaining the water and sewer systems as that is included in the rates, based on actual usage.