

Town of Ayer

Rate Review Committee

Meeting Minutes from February 28, 2023

Attendance: Jannice Livingston (Chair); Andrew Sealey (Fin Com); Rick Skoczylas; Dan Van Schalkwyk (DPW Director); Kimberly Abraham (Water/Sewer Superintendent); Robert Pontbriand (Town Manager); Barbara Tierney (Finance Manager); Pam Martin (DPW Business Manager)

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

Call to Order: The meeting was called to order at 4pm on Zoom by J. Livingston who read the Open Meeting Law remote participation statement on the meeting agenda into the record. J. Livingston further stated that the meeting had been moved to remote only since originally posted on February 23, 2023 due to the winter storm.

Review and Approval of the February 7, 2023 Meeting Minutes:

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

Motion: A motion was made by B. Tierney and seconded by Andrew Sealey to approve the February 7, 2023 meeting minutes. **Motion passed (8-0) by roll call vote:** J. Livingston, Y; A. Sealey, Y; R. Skoczylas, Y; D. Van Schalkwyk, Y; K. Abraham, Y; R. Pontbriand, Y; B. Tierney, Y; P. Martin, Y.

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

Dave Fox and Alex Burkard of Raftelis (the Town's consultant on the water and sewer rate model) made a presentation to the Rate Review Committee on the water and sewer rate model and the proposed FY 2024 water and sewer rates (see attached presentation).

D. Fox stated that the purpose of the rate study is to ensure long-term financial sustainability and viability for the Town's water and sewer funds.

D. Fox stated that water rates on average are increasing 5% a year across the country and sewer rates on average are increasing 6% a year across the country. Additionally, inflationary impacts, aging infrastructure, and declining consumption are some of the biggest challenges impacting utilities throughout the country.

D. Fox outlined the project approach into five tasks: project initiation and management; customer data analysis; develop comprehensive financial plans; data analysis tools and rate model development; and reports and presentations.

D. Fox advised that based on the rate model and analysis the Town should consider a 2% increase for water rates and a 5% increase for sewer rates for FY 2024. This assumes a 1% decrease in consumption each year and assumes that reserve funds are not utilized to offset rate increases.

D. Fox further stated that the analysis of the rate model shows that the water utility is projected to operate at a surplus until FY 2027 with minor rate increases. The Annual sewer utility rate increases will maintain reserve fund levels at a sustainable position. The Town's financial plan should be updated annually to modify its plan of rate increases as needed.

J. Livingston stated that the 2% annual rate increase falls in line with what the Town has been doing for the past several years and has been an acceptable increase to the water users. The 5% annual rate increase for sewer may be concerning as it is higher than what we have done in previous years and there is approximately \$2 million in sewer reserves.

P. Martin stated that the Town should raise the quarterly minimum charge as it has not been raised in many years.

D. Fox stated that he would adjust the model, accordingly, taking that into account. The quarterly minimum increase would be approximately .20 cents for water and .50 cents for sewer.

Andrew Sealey asked what is driving the increased costs for water and sewer.

D. Fox stated that it is primarily capital infrastructure improvements over the next five years for which there is \$3.6 million in new capital.

D. Van Schalkwyk stated that there are significant ongoing capital improvements to the wastewater treatment plant over the next two years.

Andrew Sealey stated that a 5% increase is not linear in that it does not resolve the shortfall. It would seem that we would need to increase by more than 5%.

D. Fox outlined the following projected cost increases as follows:

Sewer Rate Increase By:	Water Increase By:	Avg.Cost Increase to Customer
5%	2%	\$30.00
4.5%	2%	\$27.70
4%	2%	\$25.00
3.5%	2%	\$22.50

Andrew Sealey stated that the 5% increase is not enough outside of the 10-year projection window. What about using some of the surplus to pay down the debt?

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

D. Van Schalkwyk stated that the model takes into account the Town funding all Capital but there are also ARPA funds and potentially federal infrastructure funding as well.

P. Martin stated that with respect to the increases, there are things people can do to minimize consumption and thus lower their bills.

Andrew Sealey asked what drives the 1% decrease in use?

D. Fox stated that most of that is from high efficiency appliances and more conservation awareness from some consumers.

K. Abraham stated that educating people about water conservation measures makes a difference.

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

Based on the above presentation and discussion, the Committee made the following recommendation with respect to the FY 2024 Water and Sewer rates for consideration by the Select Board:

Motion: A motion was made to recommend to the Select Board a 5% increase for the sewer rates and a 2% increase for the water rates for FY 2024 and to increase the minimum quarterly charge.

Motion Passed (7-1) by roll call vote: R. Skoczylas, N; K. Abraham, Y; B. Tierney, Y; D. Van Schalkwyk, Y; P. Martin, Y; A. Sealey, Y; R. Pontbriand, Y; J. Livingston, Y.

Presentation on Proposed FY 2024 Water and Sewer Connection Fees:

D. Van Schalkwyk presented a memo on the proposed FY 2024 water and sewer connection fees (see attached). He advised that the connection fees were last updated in 2021. The connection fees are important for funding past and future costs.

D. Van Schalkwyk proposed increasing the water connection fees as follows:

	<u>Current</u>	<u>Proposed</u>
Connection Fee – 1" Service	\$4500 per ERU	\$4800 per ERU
Connection Fee – 1 ½" Service	\$4500 per ERU	\$4800 per ERU
Connection Fee – 2" Service	\$4500 per ERU	\$4800 per ERU

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

D. Van Schalkwyk proposed increasing the sewer connection fee as follows:

	<u>Current</u>	<u>Proposed</u>
Connection fee per ERU (330 gpd)	\$5400	\$6000

D. Van Schalkwyk advised that the fees were calculated based on the cost of construction taking into account the Grove Pond treatment plant improvements; estimated cost of the well number 3 and additional PFAS treatment for Spectacle Pond; cost of 1-million gallon storage tank; and wastewater I/I removal costs.

Motion: A motion was made by A. Sealey and seconded by R. Schozylas to recommend to the Select Board the water and sewer connection fee increases for FY 2024 as presented by the DPW Director and set forth in his February 22, 2023 memo. **Motion Passed (8-0) by roll call vote:** R. Skoczylas, Y; K. Abraham, Y; B. Tierney, Y; D. Van Schalkwyk, Y; P. Martin, Y; A. Sealey, Y; R. Pontbriand, Y; J. Livingston, Y.

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

The Committee scheduled the Public Hearing with the Select Board for Monday, March 27, 2023.

Scheduling of Next Meeting:

The Committee agreed to wait until after the Public Hearing on March 27, 2023 to schedule its next 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) by roll call vote:** R. Skoczylas, Y; K. Abraham, Y; B. Tierney, Y; D. Van Schalkwyk, Y; P. Martin, Y; A. Sealey, Y; R. Pontbriand, Y; J. Livingston, Y.

The meeting adjourned at 5:06pm.

Minutes recorded and submitted by R. Pontbriand, Town Manager.

Minutes reviewed and approved by the Rate Review Committee on August 22, 2023.

Signed: 
Robert A. Pontbriand, Town Manager

Attachments: Water and Sewer Rate Model Presentation from Raftelis

Water and Sewer Connection Fee Memo from DPW Director

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



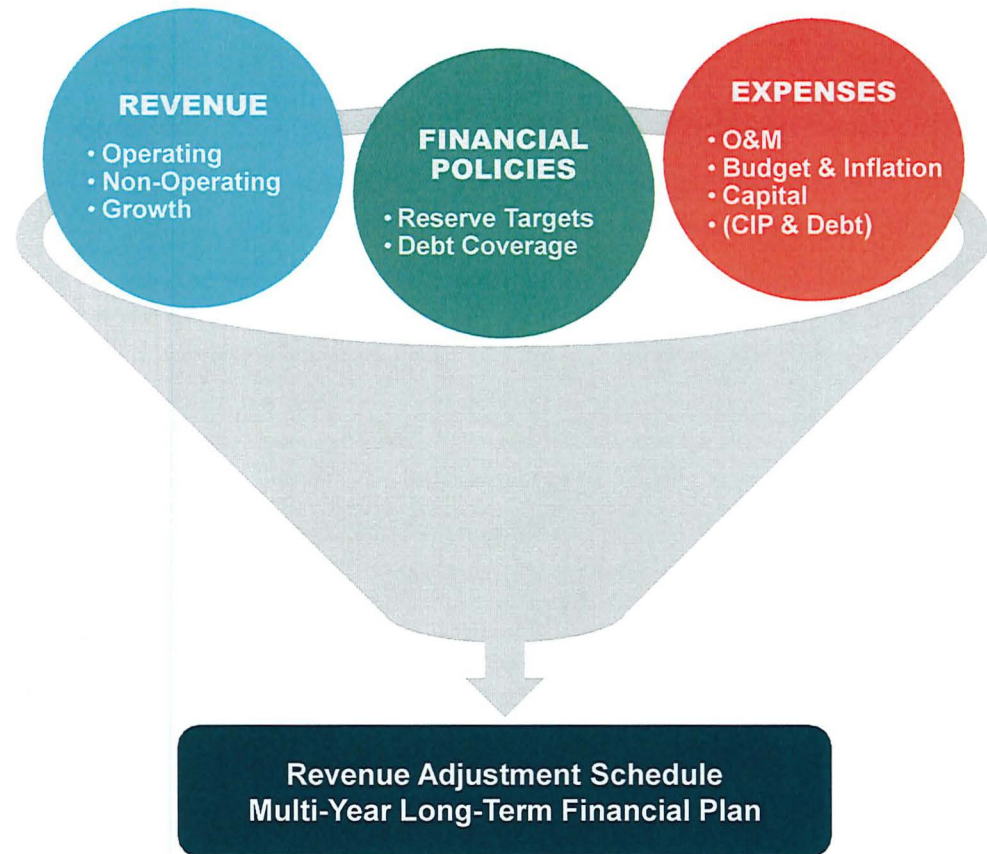
Task 4: Data Analysis Tools and Rate Model Development



Task 5: Reports and Presentations

Financial Plan

Financial Plan
models yearly cash
flow and reserve
balances



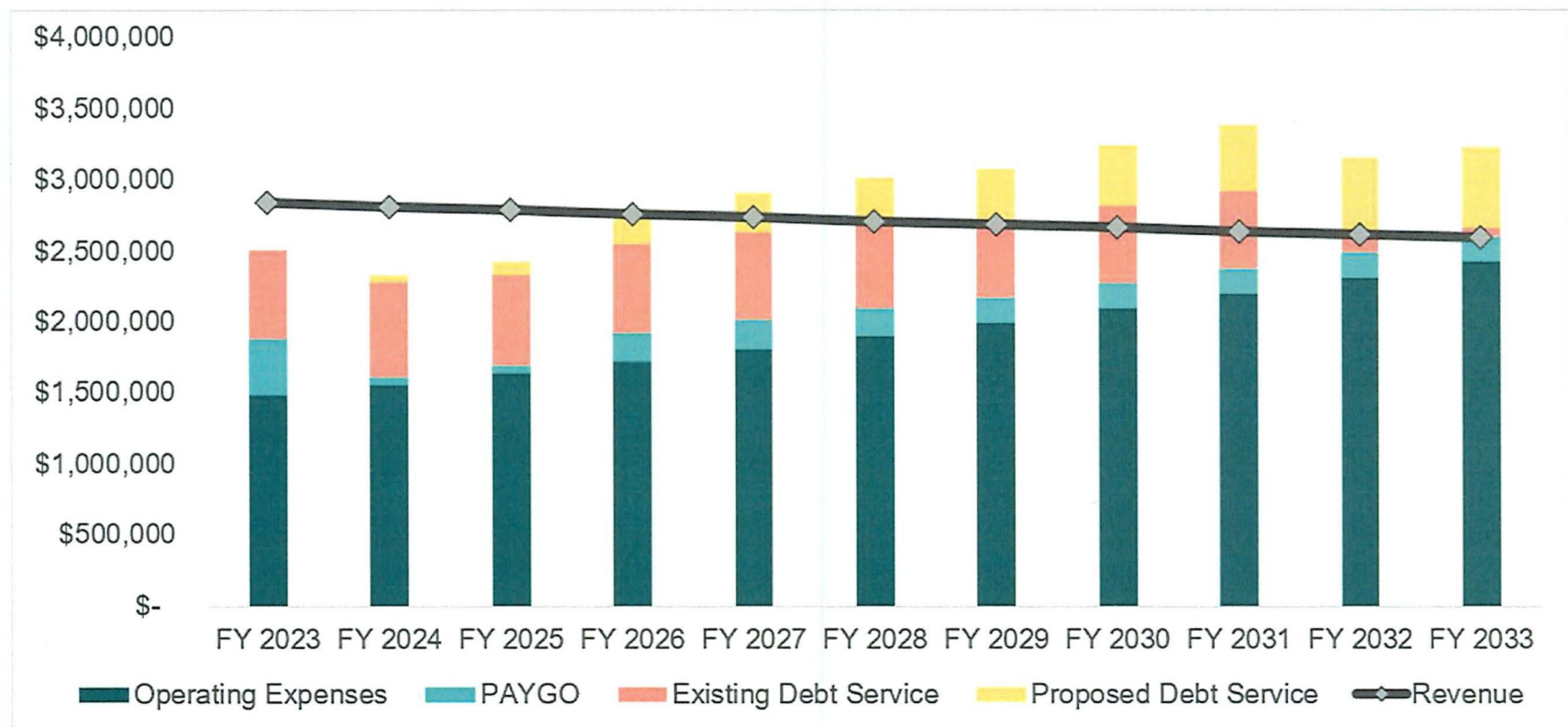
FY 24 Rate Increases Using Raftelis Assumptions

- 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

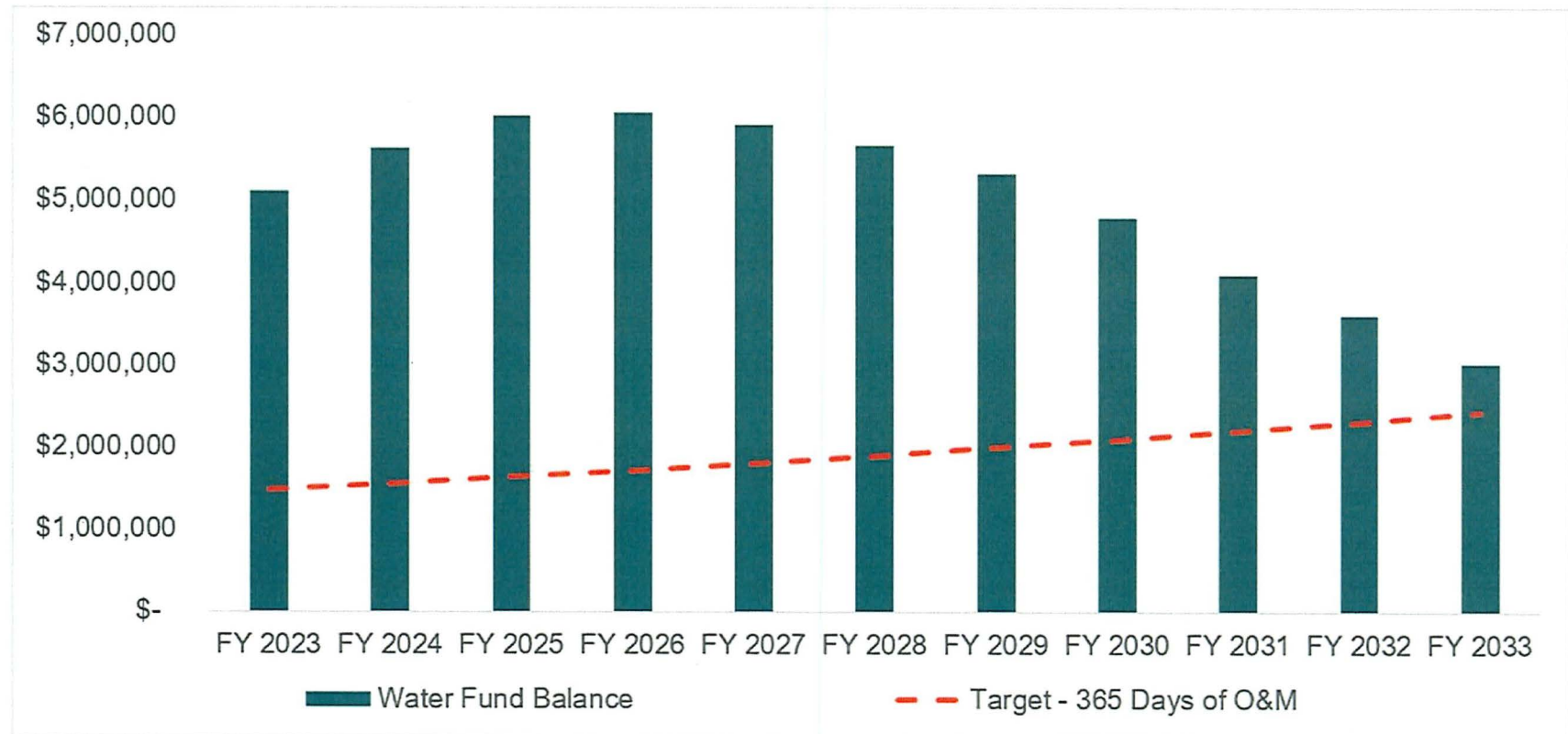
Operating Reserve Funds Key Points

- 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

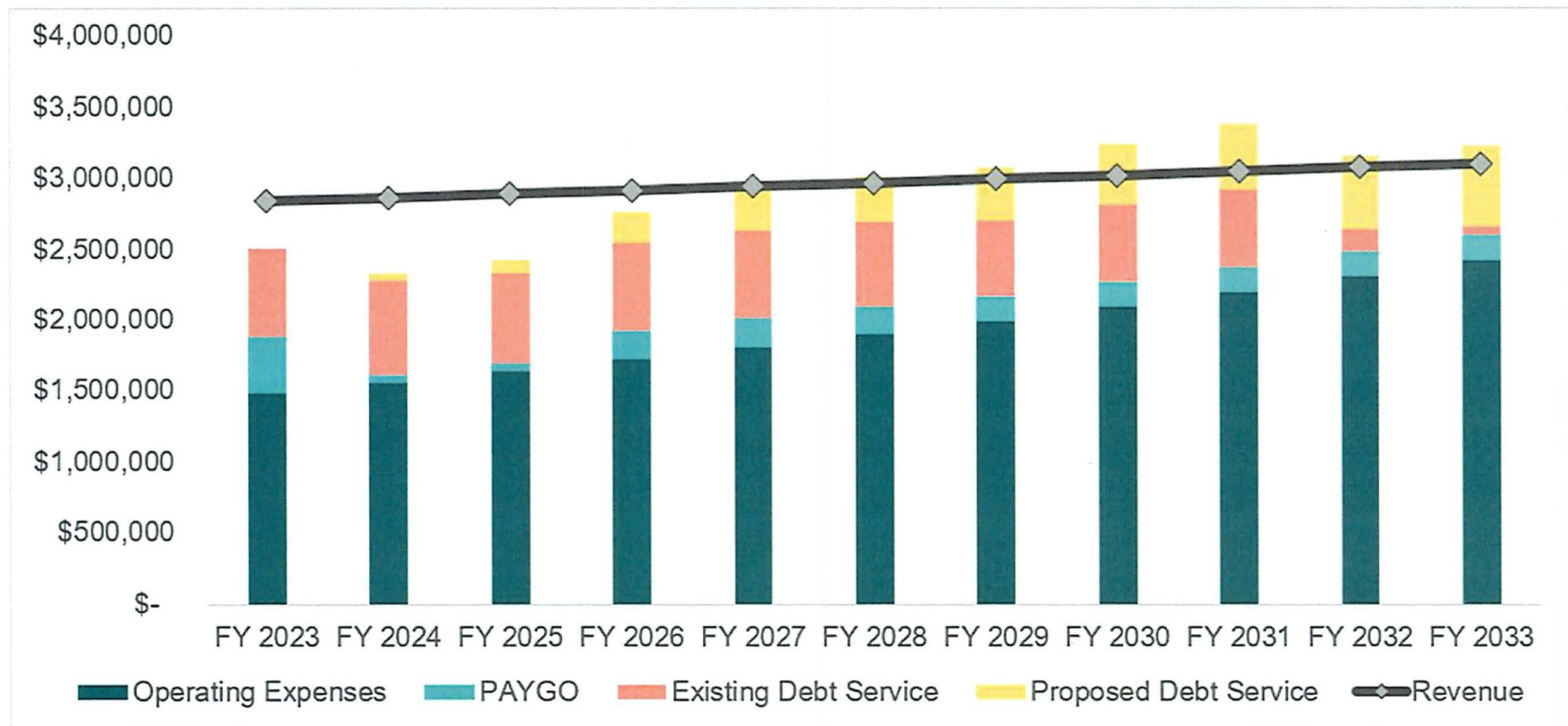
Projected Water Cash Flows with No Rate Increases



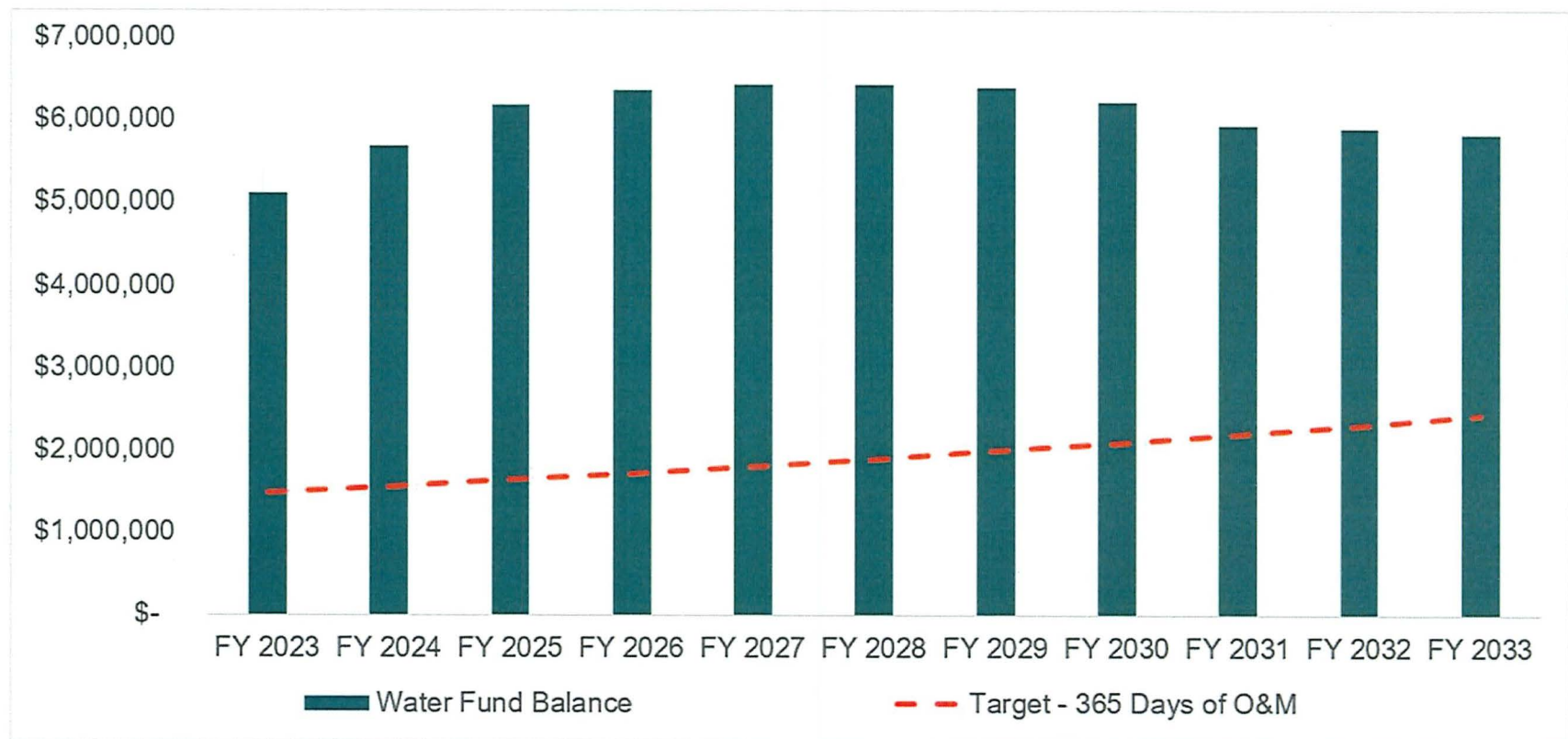
Projected Water Reserve Fund Balance with No Rate Increases



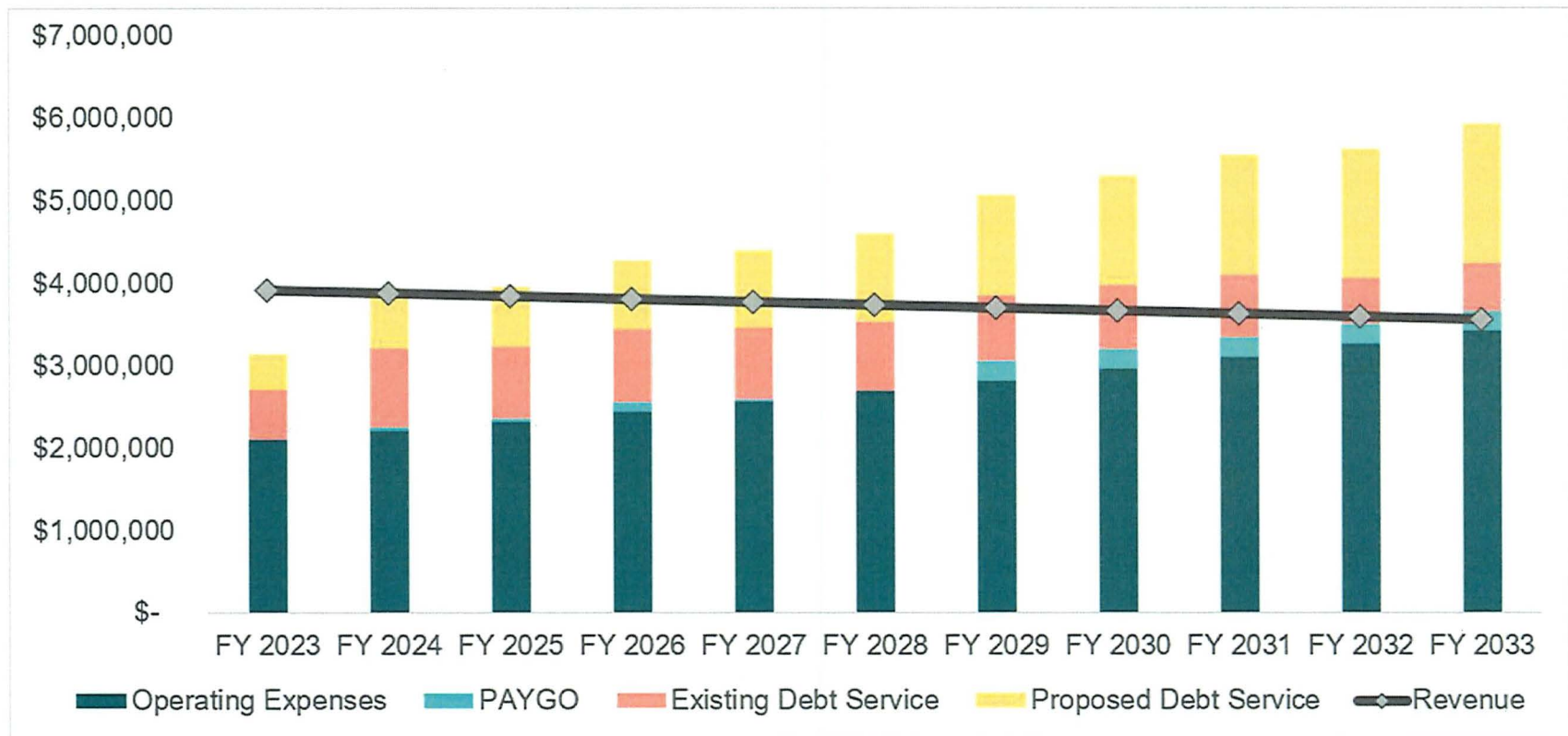
Projected Water Cash Flows with Recommended Rate Increase



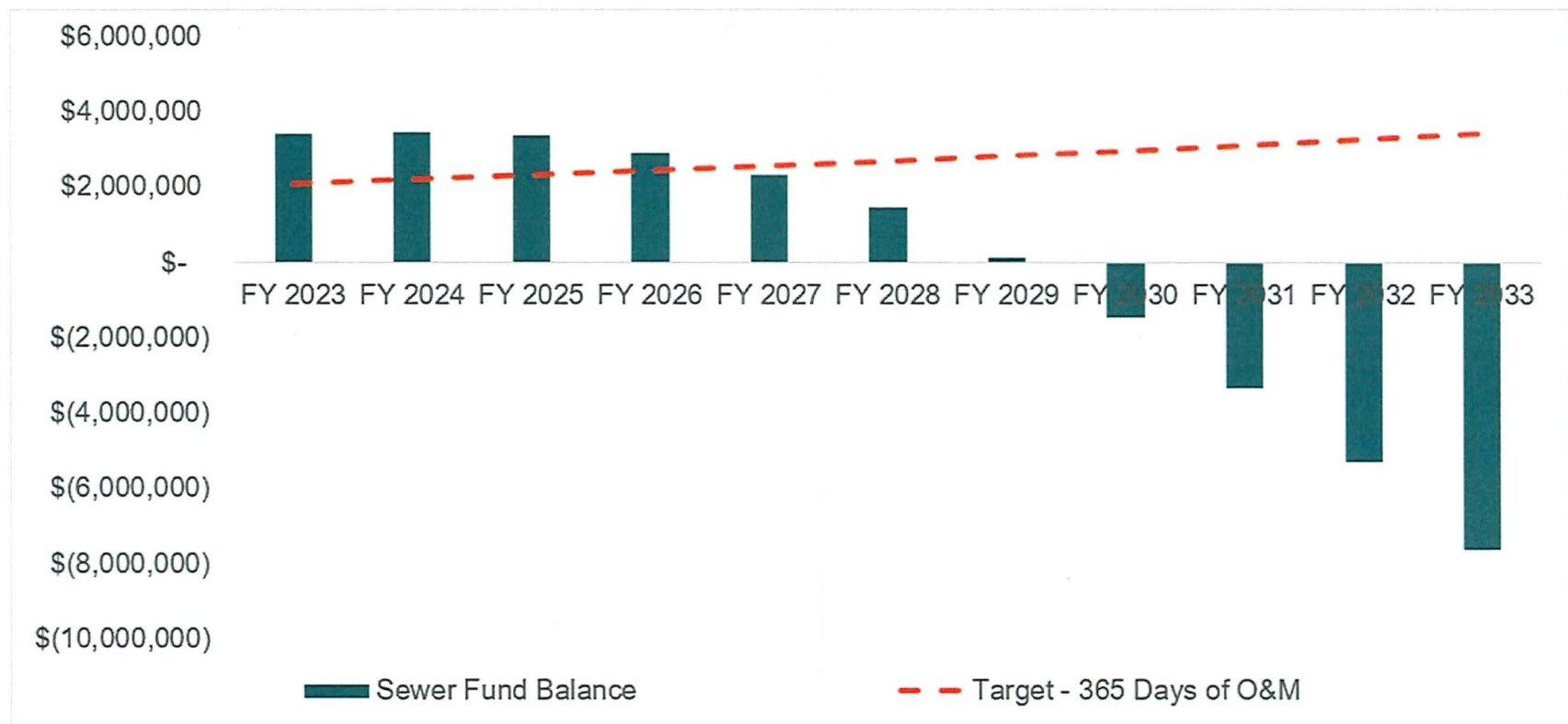
Projected Water Reserve Fund Balance with Recommended Rate Increase



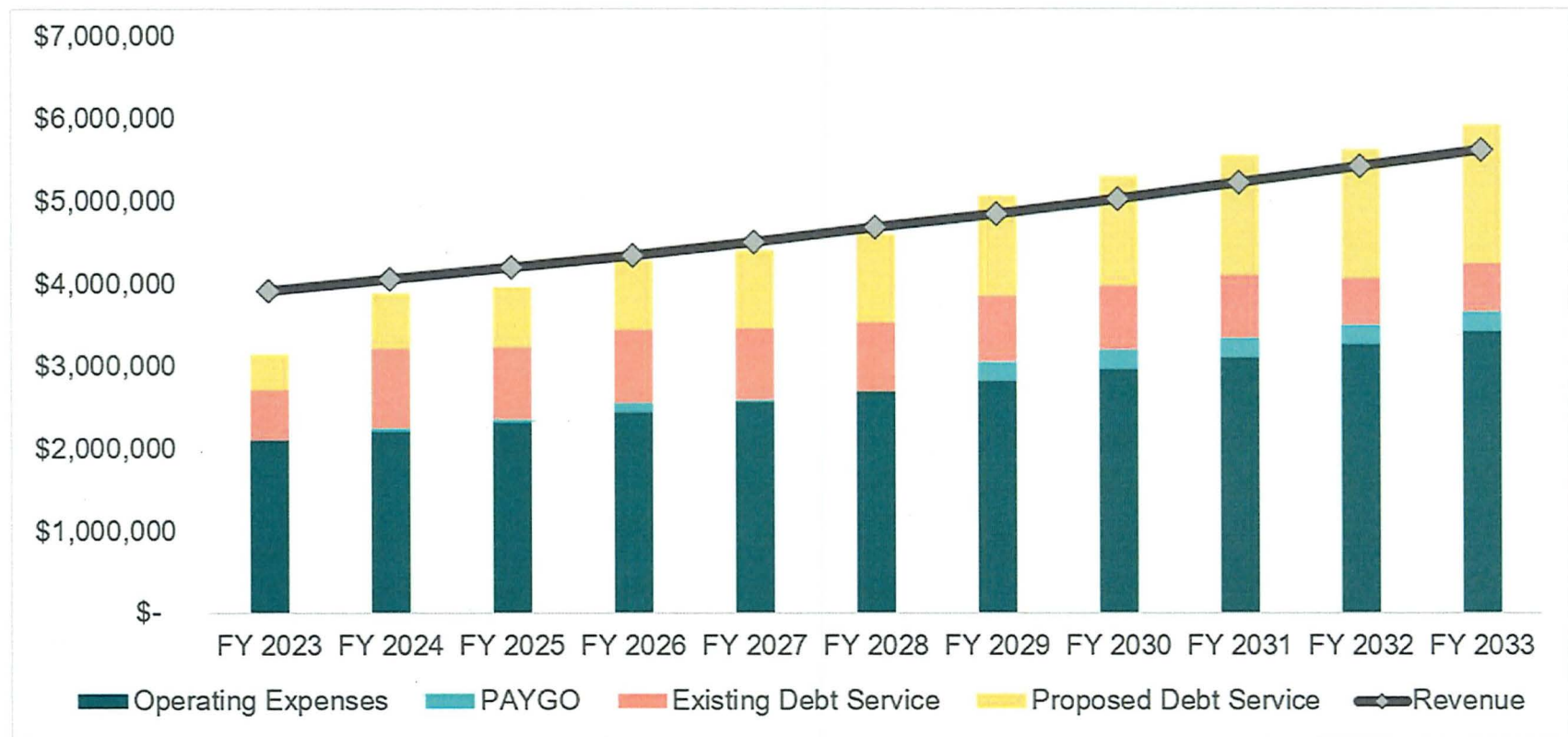
Projected Sewer Cash Flows with No Rate Increases



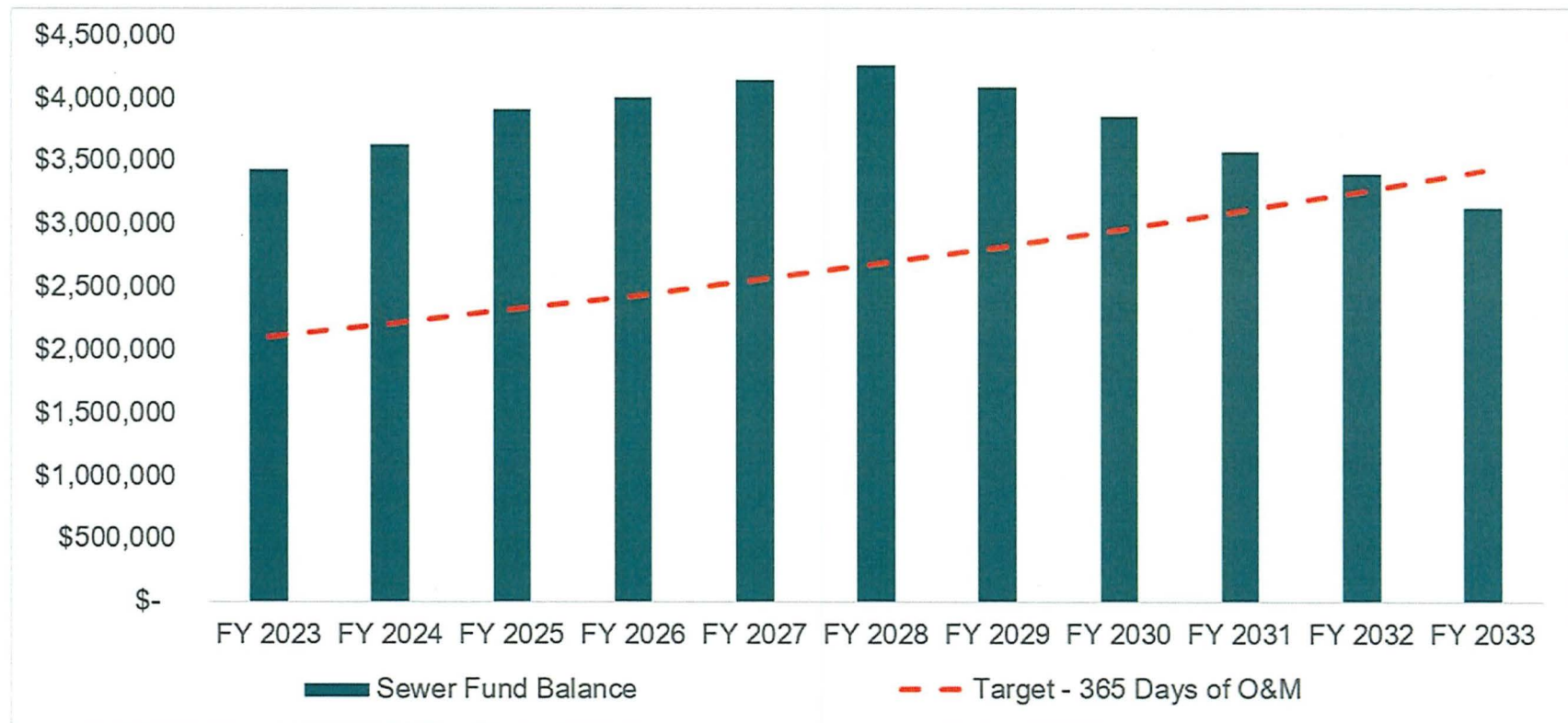
Projected Sewer Reserve Fund Balance with No Rate Increases



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

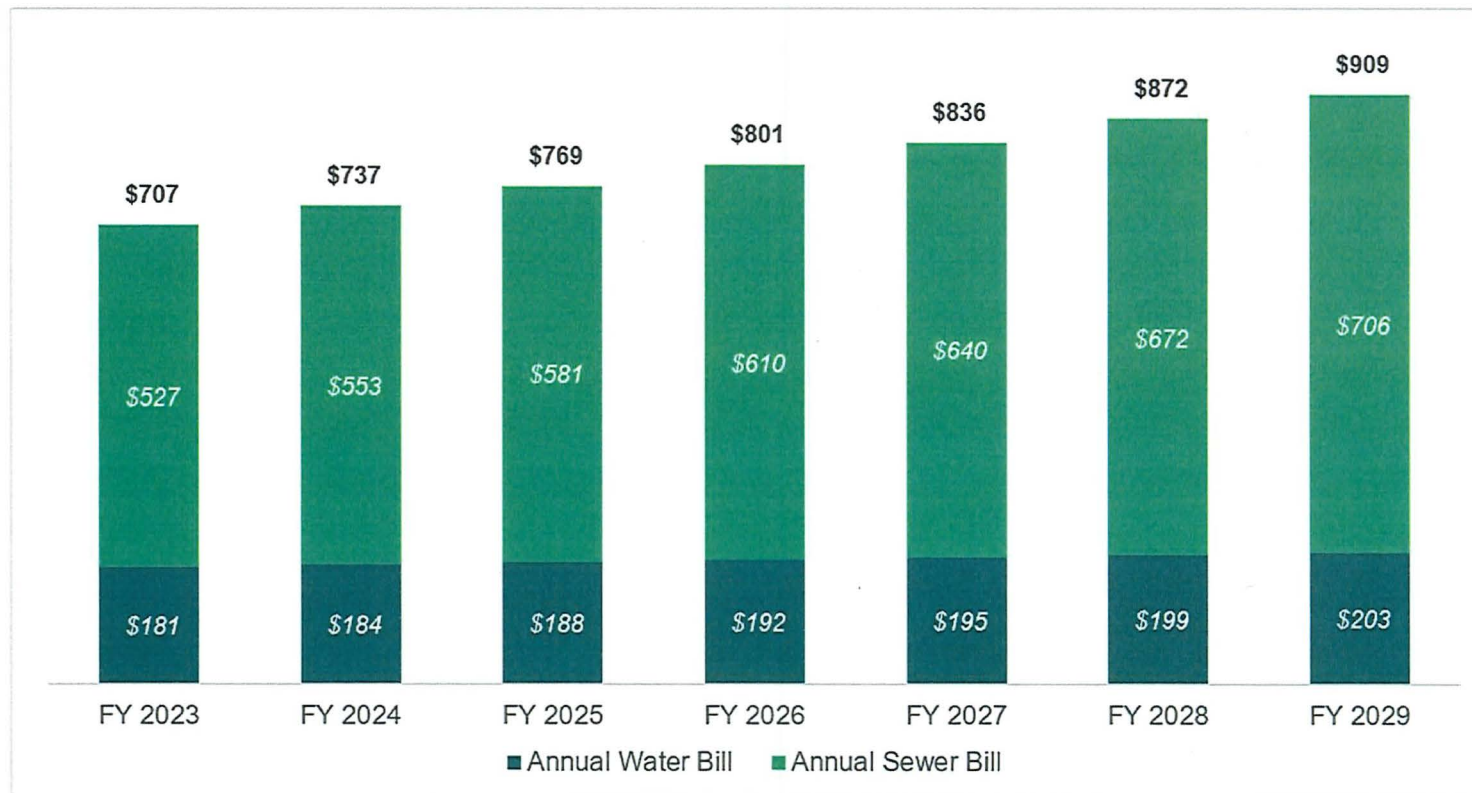
Utility	Class Type	Tier (CCF)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (Projected)
Water	Commercial	0 - 30	\$2.62	\$2.88	\$2.95	\$3.01	\$3.07
Water	Commercial	30 - 60	3.24	3.56	3.65	3.72	3.79
Water	Commercial	> 60	3.84	4.22	4.33	4.42	4.51

Historical Quarterly Tiered Rate Comparison (Cont.)

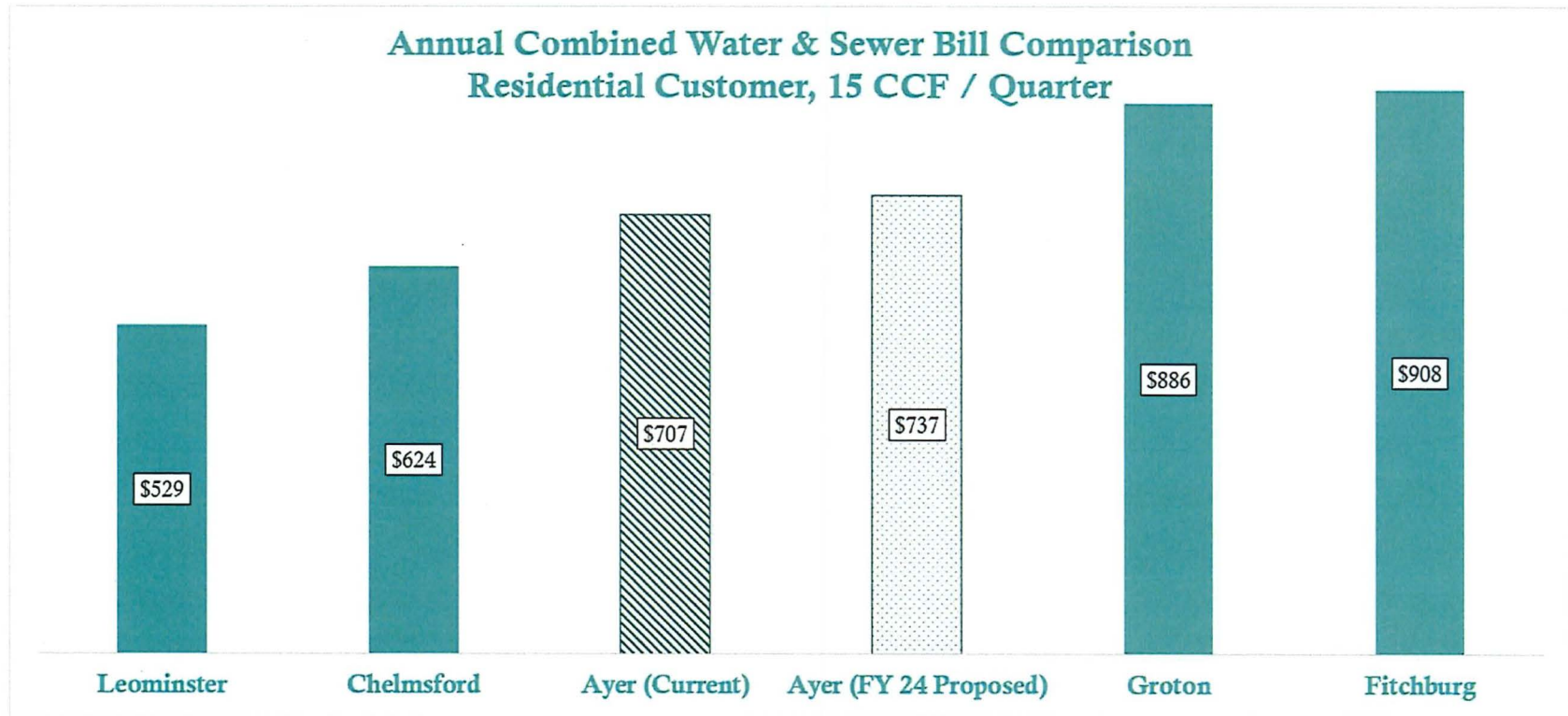
Utility	Class Type	Tier (CCF)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 (Projected)
Sewer	Residential	0 - 30	\$7.90	\$8.16	\$8.57	\$8.78	\$9.22
Sewer	Residential	30 - 60	9.05	9.34	9.81	10.06	10.56
Sewer	Residential	> 60	10.30	10.63	11.16	11.44	12.01

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



Raftelis 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 Raftelis expressly agrees otherwise in writing, Raftelis 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@raftelis.com

DEPARTMENT OF PUBLIC WORKS

Water, Wastewater, Highway & Solid Waste Divisions

Dan Van Schalkwyk, P.E., Director
Kimberly Abraham, Water and Sewer Superintendent
Matt Hernon, 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.