

TOWN OF WINCHENDON

OFFICE OF THE TOWN MANAGER

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RE: Water Sewer Budget Three Scenarios

Board Members,

Given new data from your February 14th Board of Selectmen meeting, our Accounting and DPW staff have put in a significant effort to compile data for three separate Water/Sewer Budget scenarios. These are based on: 1. Wright Pierce Recommendation, 2. Raftelis Flat Rate Recommendation (1), and 3. Raftelis Split Rate Recommendation (2). All three scenarios operate on the assumption that a \$400,000 debt payment for Sewer scheduled for FY23 will be refinanced over a 5 year period, stretching out the payment to limit the impact of FY23.

Running the **Wright Pierce** Recommendation with usage estimates, we are projecting a deficit for water in the amount of **\$25,000** and a surplus for sewer of **\$185,000**.

Running the **Raftelis** Recommendation with a **flat rate** with usage estimates, we are projecting a surplus for water of **\$80,000** and a surplus for sewer of **\$143,000**.

Running the **Raftelis** Recommendation with a **split rate** with usage estimates, we are projecting a deficit of **\$90,000** for water, and a surplus of **\$95,000** for sewer.

As you can see above, of the three scenarios only the Raftelis Recommendation of a Flat Rate increase is projecting without a deficit in one of the two categories. All surplus scenarios would help the enterprise funds replenish retained earnings. Operating a system without retained earnings is financially risky, and is in part responsible for the present situation our community is facing. This financial best practice will create a safety net for future years to cover unexpected expenses without having to pass the cost directly onto the bill for the ratepayer.

If the Board of Selectmen utilized the Raftelis Flat Rate option, increases would break down as follows:

FY	Water	Sewer	Blended Bill Increase
23	18%	10%	~13%
24	3%	3%	~3%
25	3%	3%	~3%

As outlined in the Raftelis presentation, if a more substantial increase is implemented for FY23, we are projecting to hold at a 3% annual increase for the foreseeable future. This also takes into account all future capital needs. At this time I will defer to the Board of Selectmen to discuss the options and establish rates for the upcoming three+ year period.

