

Water and Sewer Rate Study

Town of Winchendon, Massachusetts

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Rate Study Scope and Goals

Scope of Study

- Evaluate Water and Sewer Enterprise Funds
- Review budget and revenue data for past 3 years
- Coordinate with Town staff and Veolia North America (VNA-Contract Operator)
- Estimate future budget costs
 - Labor
 - O&M (including contract ops)
 - Capital improvements
 - Debt service
- Estimate future Revenue
- Evaluate rate scenarios

Goals

- Summarize current financial conditions
- Identify cost and revenue trends
- Compare rates to similar communities
- Predict and understand future finances of enterprise accounts
- Identify **sustainable** future rates
 - Balanced Budgets
 - Avoid reliance on Retained Earnings Accounts
 - Maintain existing utility assets

Background and Current Conditions

Background

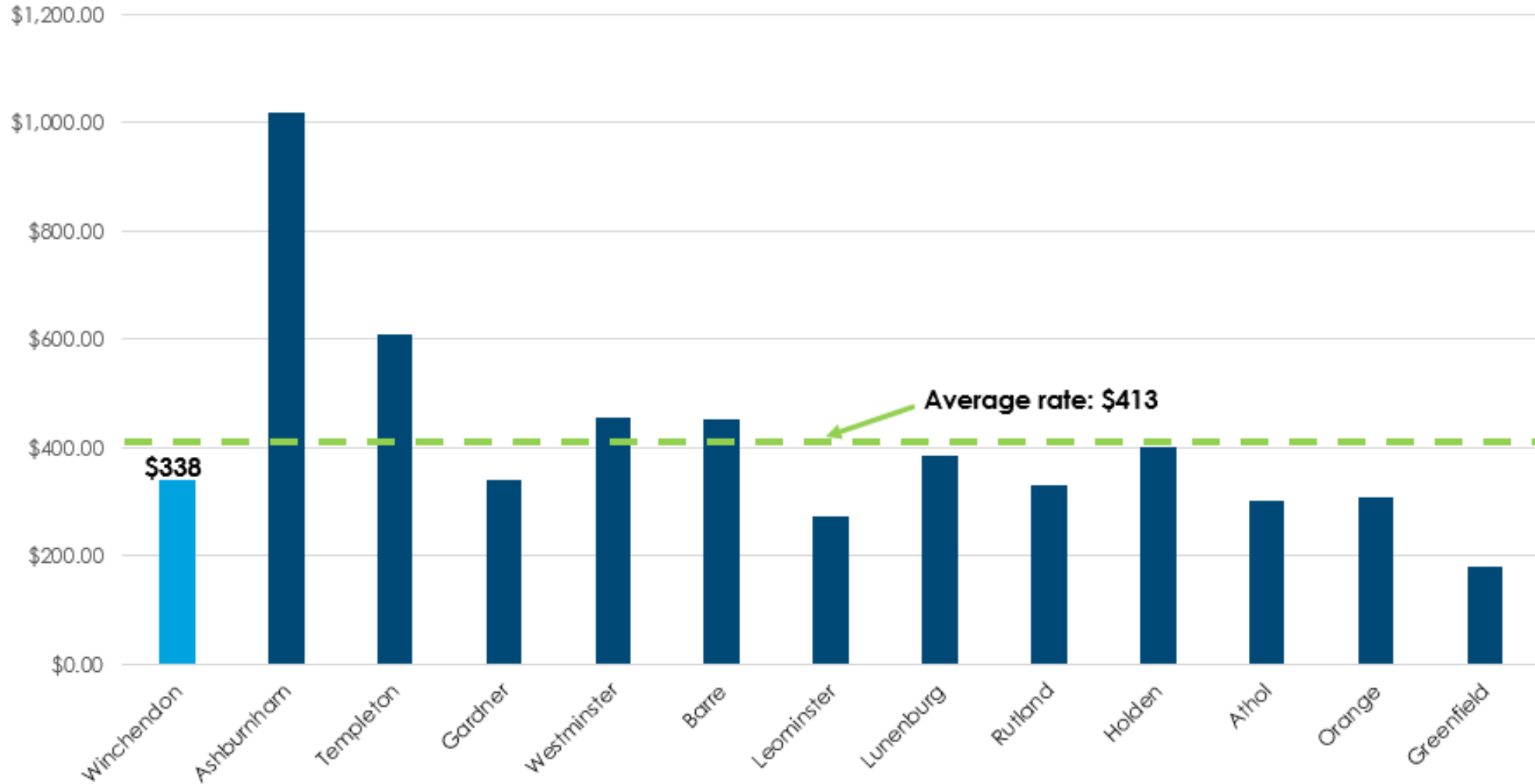
- Enterprise Funds – Funded With User fees
- Low growth – Consumption levels stable
- Water Plant Shared with Ashburnham
- Contract Operations (Water and Sewer Treatment) – VNA
- Town Responsible for Distribution and Collection Systems O&M

Current Conditions

- Budgets
 - Water ~ \$1.0 M (2,100 accounts)
 - Sewer ~ \$1.3M (1,300 accounts)
- Current Water and Sewer Rates Below Regional Average
- Last Rate Increase – July 2017
- Deficit Operations – Reliance on Retained Earnings Accounts

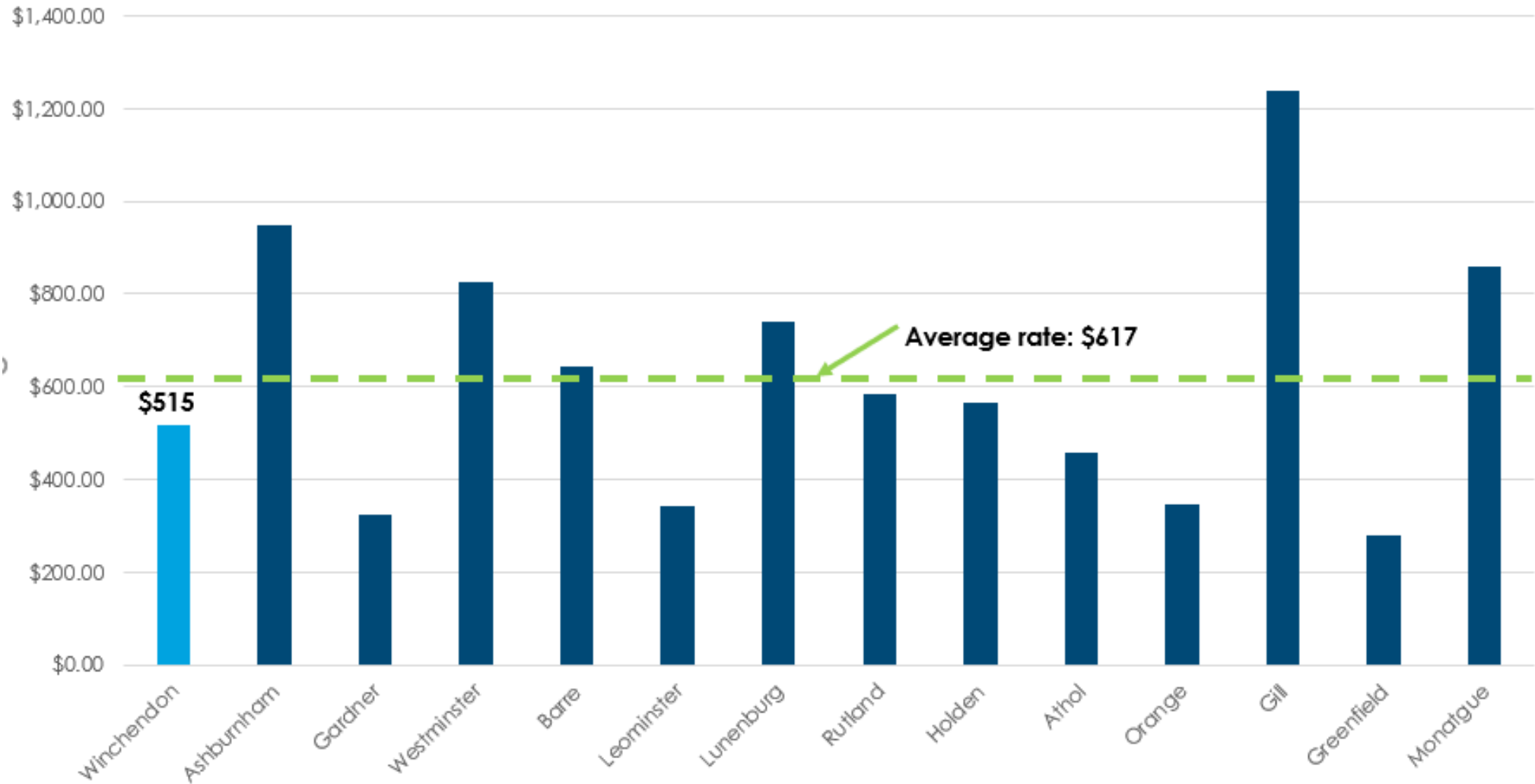
Water Current Rates Survey

Water Average Annual Rates Comparison



Sewer Current Rates Survey

Sewer Average Annual Rates Comparison



Water Rate Scenarios

**TOWN OF WINCHENDON
WATER
BUDGET & REVENUE 2017 - 2024 MODEL RESULTS
RATE INCREASE SCENARIOS SUMMARY**

SCENARIO	BUDGET DEFICIT / SURPLUS			
	RATE INCREASE %	AVG. USER RATE \$/YEAR	BUDGET DEFICIT / SURPLUS	
			FY 2021	NET 4-YR
Current User Rates	-	\$338	\$ (80,795)	\$ (472,199)
Scenario 1 - Single Increase, Balanced Budget by FY 2021	9.03%	\$369	\$ 18	\$ (148,946)
Scenario 2 - Single Increase, Balanced Net 4-year Budget	13.20%	\$383	\$ 37,337	\$ 330
Scenario 3 - Multiple Incremental Increases, Balanced Net 4-year Budget				
FY 2020	0.00%	\$338	N/A	
FY 2021	5.02%	\$355	\$ (35,870)	
FY 2022	5.02%	\$373	\$ (13,034)	
FY 2023	5.02%	\$392	\$ 11,440	
FY 2024	5.02%	\$411	\$ 37,649	\$ 186

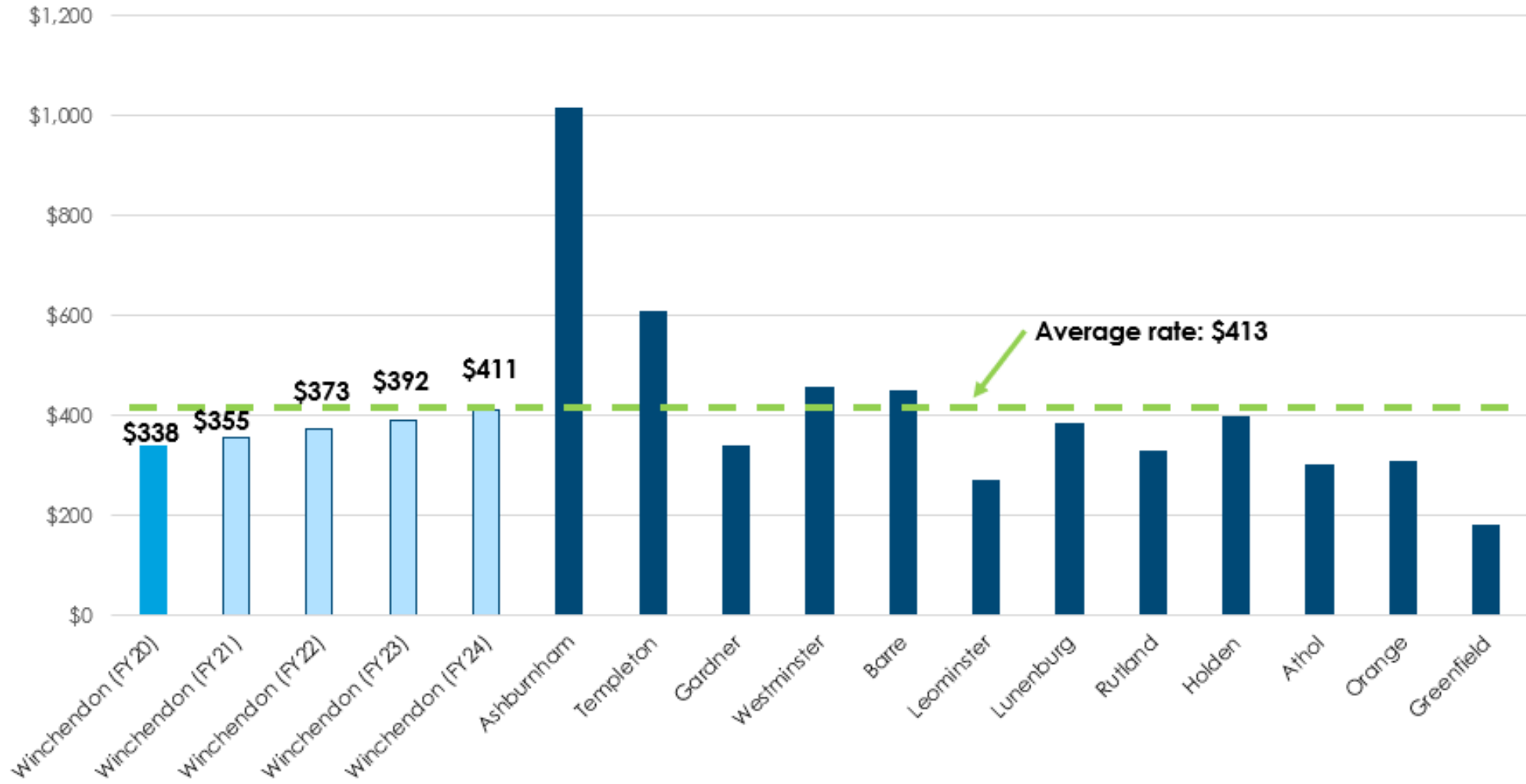
Sewer Rate Scenarios

TOWN OF WINCHENDON
SEWER
BUDGET & REVENUE 2017 - 2024 MODEL RESULTS
RATE INCREASE SCENARIOS SUMMARY

SCENARIO	RATE INCREASE %	AVG. USER RATE \$/YEAR	BUDGET DEFICIT / SURPLUS	
			FY 2021	NET 4-YR
Current User Rates	-	\$515	\$ (281,457)	\$ (1,202,094)
Scenario 1 - Single Increase, Balanced Budget by FY 2021	34.29%	\$692	\$ 16	\$ (76,203)
Scenario 2 - Single Increase, Balanced Net 4-year Budget	36.62%	\$704	\$ 19,143	\$ 302
Scenario 3 - Multiple Incremental Increases, Balanced Net 4-year Budget				
FY 2020	0.00%	\$515	N/A	
FY 2021	12.88%	\$581	\$ (175,730)	
FY 2022	12.88%	\$656	\$ (82,569)	
FY 2023	12.88%	\$741	\$ 25,271	
FY 2024	12.88%	\$836	\$ 233,372	\$ 345

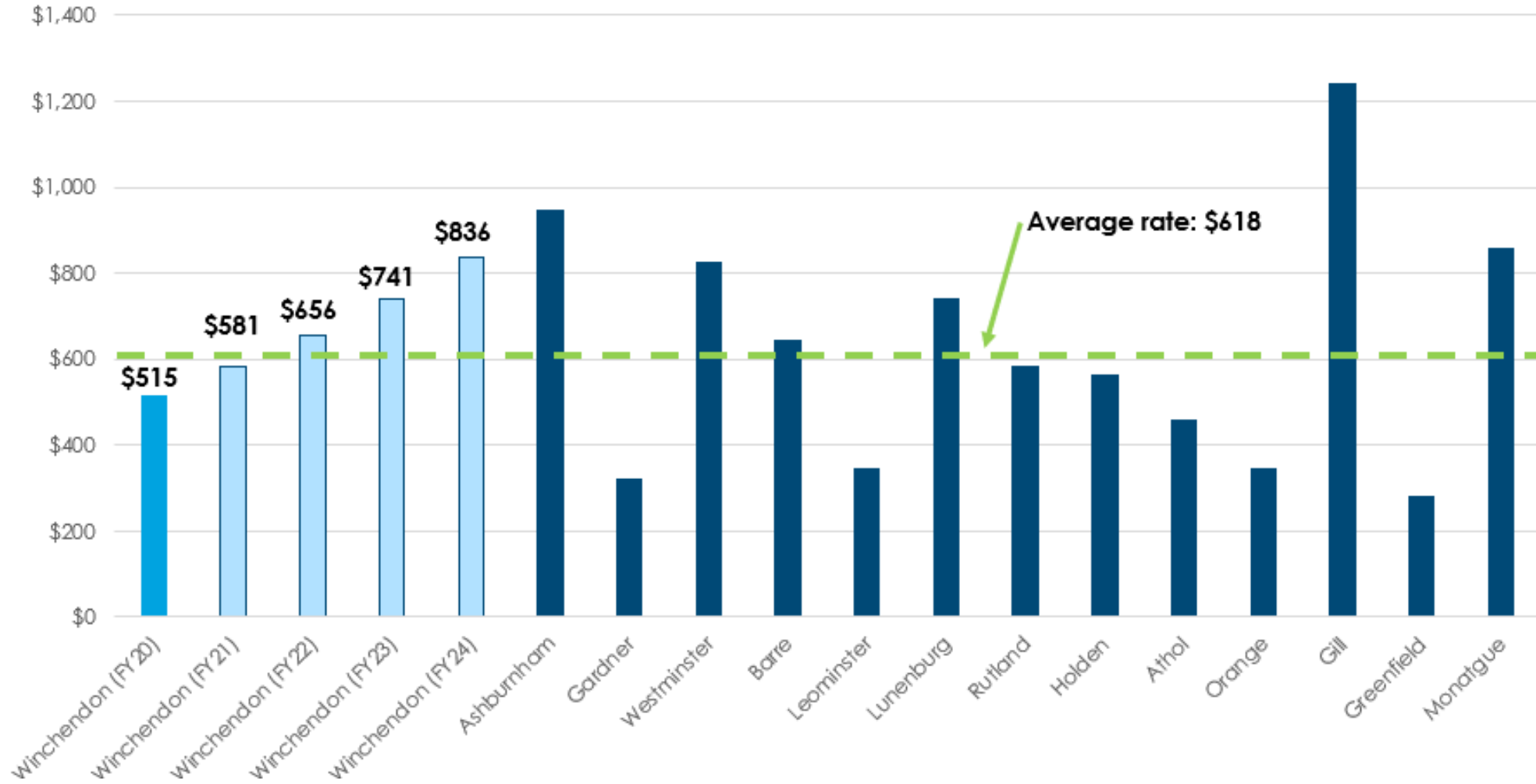
Water Recommended Rates

Water - Recommended Average Annual Rates



Sewer Recommended Rates

Sewer - Recommended Average Annual Rates



Conclusions and Recommendations

- **Current Budgets are in Deficit**
 - **Near-Term Projected Deficits Exceed Current Retained Earnings Account Balances – Alternative Short-Term Financing May Be Necessary**
- **Majority of Budget Costs are Fixed - Debt Servicing, Contracts, etc.**
- **Rate Increases Needed for Water and Sewer**
- **Future Capital Improvements Projects and Repair & Maintenance Needs Will Increase**
- **Rate Scenario 3 Recommended – Annual Incremental Increases**

	<u>Water</u>	<u>Sewer</u>
FY 2020	\$338 (current)	\$515 (current)
FY 2021	\$355 (5.02%)	\$581 (12.88 %)
FY 2022	\$373 (5.02%)	\$656 (12.88%)
FY 2023	\$392 (5.02%)	\$741 (12.88%)
FY 2024	\$411 (5.02%)	\$836 (12.88%)

Contact Information



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THANK YOU
