



CITY OF MELROSE

In City Council

June 20, 2024

AN ORDER

ORDER-2024-36

Proposed FY25 Water Rates

BE IT ORDERED

The Water and Sewer Rate Review Committee, pursuant to the language in Melrose Revised Ordinances, Chapter 228, Article II Section 228-15 (Rates Set by Mayor and Council: Water Rate Review Committee) and Article IV, Section 228-30 (Sewer Service Rates; Minimum Charges), respectfully requests updates to water and sewer rates as set forth herein.

By unanimous vote, the Water and Sewer Rate Review Committee proposes the Water rates and recommendations as described in the attached memo for your consideration.

The memo also is attached to outline the history and methodology used in determining the proposed rates.

We appreciate your consideration and are happy to answer any questions you may have. We look forward to continuing the important work of our committee in FY25 to provide fiscally responsible and sustainable water and sewer rates for our community.

HISTORY:

05/20/24	City Council	ASSIGNED TO COMMITTEE
06/03/24	Appropriations and Oversight	OUGHT TO PASS

RESULT:	PASSED [10 TO 0]
MOVER:	Maya Jamaledine, At-Large
SECONDER:	Ryan Williams, At-Large
AYES:	Finocchiaro, Garipay, Jamaledine, Karamcheti, Obremski, Romanul, Stewart, Vandiver, Williams, Migliorelli
ABSENT:	Ward Hamilton

In the City Council
Ordained Roll Call
[Unanimous]

Passed June 20, 2024

Kristin Foote, Clerk



Leila B. Migliorelli, President
City Council

6/24/24

Date



Jennifer Grigoraitis, Mayor

6/24/24

Date



CITY OF MELROSE

WATER AND SEWER RATE ADVISORY COMMITTEE

Ken Truesdale, Resident Representative, Chair
Kathryn Armata, Treasurer/Collector
Ellen Donaghey, CFO/Auditor
Ward Hamilton, City Council Representative
Jim O'Loughlin, Resident Representative
Elena Proakis Ellis, P.E., Director of Public Works
Vonnie Reis, P.E., City Engineer

Melrose City Yard, 72 Tremont Street
Melrose, Massachusetts 02176
Telephone - (781) 665-0142

MEMORANDUM

To: Melrose City Council

From: Water and Sewer Rate Advisory Committee

cc. Mayor Jen Grigoraitis
Kerri Golden, Finance Department
James Troup, DPW
Donna Cardillo, DPW
Lisa Patterson, DPW

Date: May 13, 2024

Re: Summary of FY25 Water and Sewer Rate Orders

The Water and Sewer Rate Advisory Committee, consisting of the members listed above, respectfully submits the following proposed water and sewer rate adjustments for FY25. They are recommended by unanimous vote of the committee.

The recommended combined rate impact across water and sewer is a 4.8% increase over FY24 rates for the average Melrose household (using about 1,900 cubic feet of water per quarter), including both volumetric rates and base fees. These impacts are summarized in the attached impact analysis and are consistent with the previously presented "Scenario 2." Committee members narrowed down to Scenarios 2 and 3 and ultimately voted to recommend the attached Scenario 2. The proposed rates, as shown on the next page, would appear on water bills beginning on October 1, 2024, since earlier bills would not consist entirely of water used within FY25. This timing was decided upon several years ago and has been consistent since that time.

From FY18 to FY22, water volumetric rates and base fees were not increased, and similarly from FY17 to FY22, sewer volumetric rates were not increased. Sewer base fees were not increased from FY17 to FY20. Following this period of flat rates, nominal increases have been necessary since FY23 to meet revenue requirements resulting from increases in contractual obligations (e.g., union salaries), changes in assessments from the MWRA, and decreases in overall water and sewer usage. The Committee has attempted to keep rate increases small and consistent, to avoid rate shock.

Water use so far in FY24 is the lowest in the twelve-year history captured in our rate model. This results in lower-than-expected revenue. We therefore anticipate having revenue shortfalls in each fund in FY24. One way to mitigate this impact is to implement short-term cost cutting controls for the remainder of FY24, to close the fiscal year under budget. Even with this, we anticipate needing to use free cash to close the remaining gap. If the combination of free cash and cost controls cannot cover the shortfall, we would need to use reserves to close FY24.

According to the rate model, with the proposed water rates for FY25, water revenue is projected to fully cover the revenue requirements of the Water Enterprise Fund, even if we have another year of low usage similar to FY24. This was deemed prudent by the committee given the limited availability of free cash in the Water Fund to capture any FY25 revenue shortfalls, since most or all of the existing free cash is anticipated to be needed to close out FY24. For sewer, a less conservative approach has been taken, where we have assumed that usage will be similar to the average over the last two years. This approach was deemed appropriate because of the larger free cash balance in the Sewer Enterprise Fund and the fact that the overall revenue requirements for sewer did not go up compared to FY24, due to a decrease in the MWRA sewer assessment for FY25 and a change in personnel. Based on the projected revenue requirement, sewer rates are proposed to match FY24 rates for both volumetric charges and base fees with zero increase. The combined impact is 4.8% for the average user, as noted above and shown in the attached impact analysis. The proposed FY25 rates are presented in the table below.

Proposed FY25 Water and Sewer Rates

Proposed FY23 Volumetric Rates	Water (per 100 cf)	Sewer (per 100 cf)
Tier 1	\$8.32	\$12.25
Tier 2	\$11.15	\$15.43
Proposed FY23 Base Fees (meter size)	Water (per meter)	Sewer (per meter)
5/8"	\$20.33	\$26.38
3/4"	\$20.33	\$26.38
1"	\$20.33	\$26.38
1.5"	\$79.53	\$103.58
2"	\$123.93	\$161.48
3"	\$227.53	\$296.58
4"	\$375.53	\$489.58
6"	\$745.53	\$972.08
2 nd Meter Fee	\$20.33 (\$50.00 if not upgraded)	--

In addition to these rates, the Committee respectfully recommends the following:

1. Approval of the Department of Public Works' Water Enterprise Operating Budget for Fiscal Year 2025 in the amount of \$6,726,508, as shown in the budget document submitted under separate cover to the City Council.

2. Approval of the Department of Public Works' Sewer Enterprise Operating Budget for Fiscal Year 2025 in the amount of \$8,508,826, as shown in the budget document submitted under separate cover to the City Council.
3. Transfer of \$200,000 of Water free cash into the FY24 Water operating budget to cover potential revenue shortfalls.
4. Transfer of \$300,000 of Sewer free cash into the FY24 Sewer operating budget to cover potential revenue shortfalls. Note that any unused balance from these transfers would revert back to free cash once FY24 is closed out.
5. No transfers to reserves from either water or sewer free cash for FY25. The sewer reserve fund is currently fully funded at our goal of 10% of the sewer operating budget. The water reserve fund currently has a balance equaling approximately 9.6% of the water operating budget, but our limited free cash balance in water does not allow for a transfer to bring reserves up to 10% at this time.
6. Updating of the City's senior and low income water and sewer discount programs as follows:
 - a. Changing the low-income water and sewer discount thresholds from \$15,000 and \$23,000 (single and married gross income) to \$35,000 and \$40,000, respectively, with annual water consumption not to exceed 6,250 cubic feet, for consistency with the thresholds for the 100% trash fee discount. There are presently no households that qualify for the low-income water and sewer discount.
 - b. Allowing the existing condo discount to be extended to owner-occupied two family properties owned by senior citizens, matching the dollar value of the condo discount (currently \$146/year), provided that the same water usage thresholds used for the condo discount are met.
 - c. While many other changes to the water and sewer discount programs were discussed, and programs in other area communities were reviewed for comparison, the committee unanimously agreed that further study was prudent before additional recommendations are made. The committee intends to initiate this analysis in FY25 and make recommendations during the FY26 rate-setting process.
7. Updating the City's meter ordinance section to require owners interested in installing 3/4" and 1" meters to pay the difference in cost between those meters and our standard 5/8" meters.

Any ordinance changes resulting from the recommendations above will also be provided in a red-lined version of Melrose ordinance Section 228 – Water, Sewers and Drains.

While no additional free cash recommendations are being proposed at this time, City personnel recommend initiating the design of the Penney Road Sewer Pump Station replacement project in FY25 and will return with a request for free cash once FY24 has been closed out, provided there is adequate available money to initiate the design phase.

Water and Sewer Rate Advisory Committee Recommendations

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We appreciate your consideration of these items and are happy to answer any questions you may have. We look forward to continuing the important work of our committee in FY25 to provide fiscally responsible and sustainable water and sewer rates for our community.