



TOWN OF BROOKLINE
Massachusetts
DEPARTMENT OF PUBLIC WORKS

Erin C. Gallentine
Commissioner

June 2, 2023

Select Board
Town Hall
333 Washington Street
Brookline, MA 02445

Dear Members of the Select Board,

As the final part of the fiscal year (FY) 2024 budget planning process, the Department of Public Works has examined the rate structures for water and sewer service charges in order to provide for full cost recovery of the Water and Sewer Enterprise Fund. The rate setting process is based on the projected FY 2024 budget expenditures, including MWRA wholesale assessments, and the estimated water consumption and sewer use. The Department evaluates the rates each year with Raftelis, a local government and utility management consulting firm, to review revenue, reserve fund balance, MWRA assessments, and consumption trends. Raftelis met with the Water and Sewer Rate Task Force on two occasions to discuss the financial model and recommendations. Following discussion about the Enterprise Fund and the need to slowly build the reserve fund to cover a minimum of 90 days or 25% of the Water and Sewer operating budget, the Task Force voted unanimously in favor of supporting the proposed rate increase of 4.5% for FY24.

The budget for the water and sewer enterprise has increased by approximately 3.71% for FY 2024. The 4.5% rate increase is established to enable the Town to build up the critical reserves necessary to protect the infrastructure and operation of the system and to plan for usage variability. The budget increases are mainly associated with increases in budgeted capital, debt service, salaries, supplies, and the MWRA assessments. The Town continues to invest in critical water and sewer infrastructure and is fortunate to take advantage of the MWRA grant/loan programs including zero percent loans for water distribution system improvements, and 75% grant reimbursement programs for wastewater system capital improvements. Stormwater system improvements are funded via interest-bearing utility bonds. These capital improvement projects are essential to maintain the Town's distribution system assets and to ensure the quality of water delivered to residents and businesses is the best it can be. In order to continue to fully fund the enterprise budget, revenues must match expenditures.

As a reminder, in FY20 the Department of Public Works and Water and Sewer Rates Task Force created a new rate structure with the goal to promote revenue sufficiency, stability, conservation, and affordability. The water and sewer rate structure included a quarterly base charge which increases with the customer's meter size, a two-tiered block rate for single-family residential consumption, and uniform volumetric rates for non-single-family water consumption and a uniform sewer rate.

In recent years, the Town has seen a downward trend in annual water consumption. Since FY 2013, annual water consumption has fallen from approximately 2,000 Million Gallons (MG) to 1,850 MG in the dry years and 1,750 MG in the wet years. FY 2023 is projected to end the year with a consumption estimate of approximately 1,850 MG. FY2022, however, was a wet year and consumption was 1,766 MG. With this in mind, it is financially prudent that the Town be conservative in its approach for projecting future consumption levels and consider trends in decreased water usage when setting rates to ensure that the costs for managing, operating and protecting the water and sewer assets can be professionally and properly managed.

The Department is working with Raftelis to update its Financial Management Plan for the Water and Sewer Enterprise. In prior years, the water and sewer reserve fund balances were used to offset higher rate increases. However, this practice, along with the COVID-19 pandemic significantly reduced the reserve fund. Last year's rate increase helped commence a financial model to restore the reserves to a safe and sustainable level. Continuing to build the reserves will take time, but will help ensure the Enterprise Fund is protected from consumption variability in the future.

In order to support the FY24 Water and Sewer Enterprise budget, prepare for continued volatility in consumption, and slowly, but steadily, increase the reserve fund, a rate revenue increase of 4.5% is recommended. The Department also recommends maintaining the Elderly Exemption Program that provides a 50% discount to the base charge for seniors that are eligible for the property tax exemption allowed by MGL Chapter 59, Section 5, Clause 17D and 41C with the added requirement that the person applying must be the named payer of the water and sewer bill. This recommendation is detailed in the attached *Water/Sewer Exemption for Eligible Seniors* and appears in the attached proposed vote to support the water and sewer enterprise fund.

We look forward to presenting the Water and Sewer Rates and Recommendations to the Board at their meeting on Tuesday, June 13, 2023.

Sincerely,



Erin C. Gallentine
Commissioner of Public Works



Jay Hersey
Director of Water and Sewer

cc: Chas Carey, Town Administrator
Melissa Goff, Deputy Town Administrator of Finance
Lincoln, Town Treasurer

Attachment: Proposed FY24 Rate Increase Vote
Rates Presentation Slides