



COUNCIL WORKSHOP

Water and Sewer Rate Evaluation
Agawam, MA

Water & Sewer Enterprise Fund

An Enterprise Fund is a separate accounting and financial reporting mechanism for which revenues and expenditures are segregated into a fund with financial statements separate from all other governmental activities.

Rate Setting Strategy

Agawam has used a 5-year approach to setting rates by increasing rates in year 1 such that there will be sufficient retained earnings at the end of the 5-year period.

- Water rate was last updated in 2014
- Sewer rate was last updated in 2019

WATER RATES

Use Type	0-4,000 Cubic Feet (CF) Fee	Additional Use in Excess of 4,000 CF Fee
Commercial	\$2.38/Hundred Cubic Feet (HCF)	\$2.38/HCF
Industrial	\$2.38/HCF	\$2.38/HCF
Irrigation	\$2.38/HCF	\$2.38/HCF
Residential	\$1.90/HCF	\$2.38/HCF
Account Service Charge	\$35/meter/bill	

SEWER RATES

Sewer Rate Information

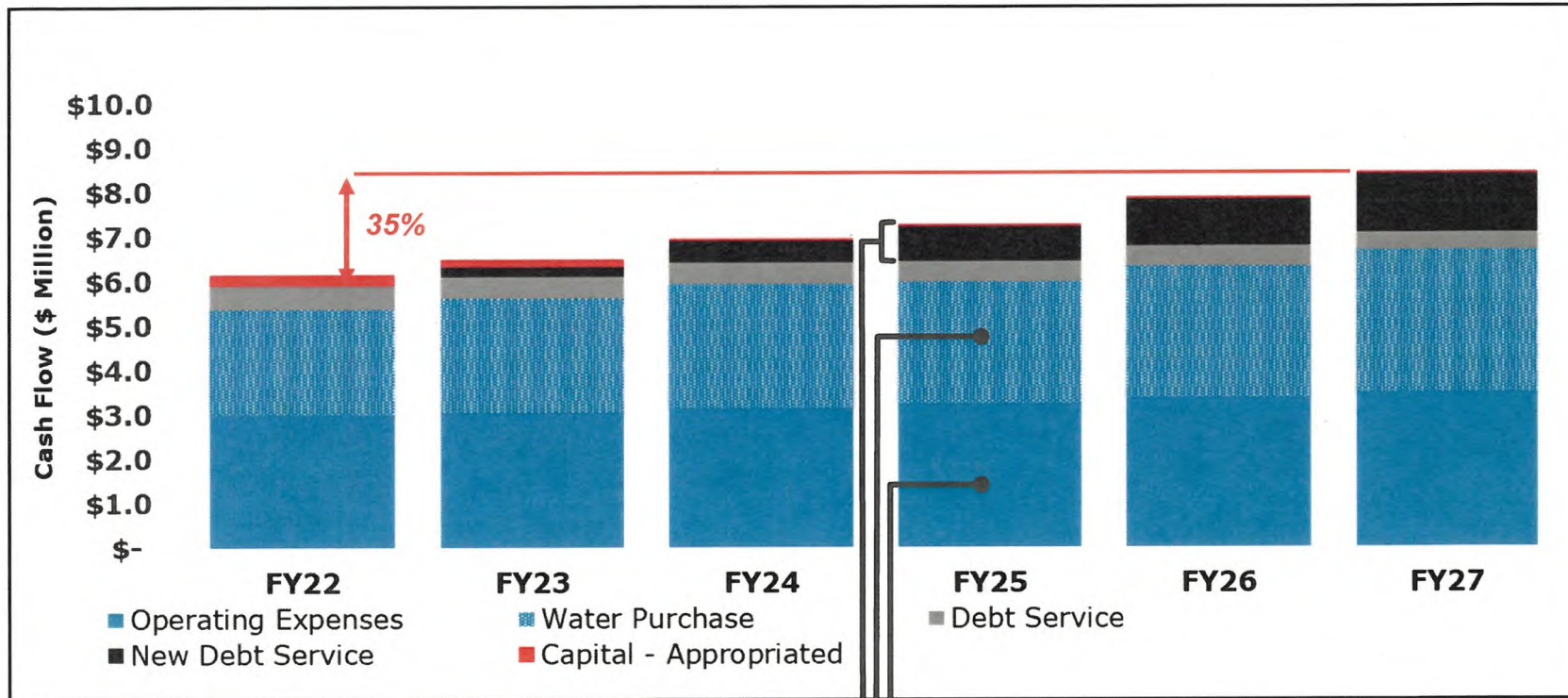
The Agawam DPW currently bills for water use semiannually. The minimum sewer charge is \$40.10 per billing period. (Rate information is current as of March 2019 and is subject to change.)

Sewer use rate is \$4.01 per 100 cubic feet. For residential accounts, sewer billable cubic feet is 90% of water usage except accounts that have a secondary irrigation meter. Where there is a secondary irrigation meter, the sewer billable cubic feet is 100% of the water usage of the primary meter.

WATER ENTERPRISE



WATER EXPENSES TO INCREASE 35% OVER NEXT 5 YEARS



From Capital Improvement Plan

Based upon SWSC projections (average annual increase of 7%) with an additional 8% average annual contingency for true ups.

Based upon FY23 budget increased by approximately 3.5% per year

WATER CAPITAL IMPROVEMENTS

WATER MAIN DESIGN – NORTHEAST AREA: \$502,000

Design of replacement water main on Maynard Street and extension on Federal Street
Replaces approximately 7,200 feet of undersized water main

WATER MAIN DESIGN AND CONSTRUCTION – SOUTH ST: \$2,050,000

Design and construction of replacement water main
Replaces 5,420 feet of undersized water main

WATER MAIN DESIGN AND CONSTRUCTION – MAIN STREET (SUFFIELD ST TO RT 57 OVERPASS): \$3,800,000

Design and construction of replacement water main
Replaces 4,800 feet of undersized water main

- ✓ **Improves fire flows**
- ✓ **Increases resiliency of water system**
- ✓ **Reduces overall age of System**



WATER EXPENSES

Water Enterprise Dashboard

Town of

Agawan

Water Enterprise Financial Model

		Year 1	Year 2	Year 3	Year 4	Year 5
	Budget	Budget	Projected	Projected	Projected	Projected
	FY22	FY23	FY24	FY25	FY26	FY27
Operating Expenses						
Water Purchase	\$ 2,359,136	\$ 2,563,199	\$ 2,800,990	\$ 2,742,305	\$ 2,969,011	\$ 3,203,161
Personnel	\$ 1,100,911	\$ 1,162,484	\$ 1,213,041	\$ 1,255,497	\$ 1,299,440	\$ 1,344,920
Purchase of Services	\$ 1,177,899	\$ 1,119,016	\$ 1,137,482	\$ 1,177,293	\$ 1,218,499	\$ 1,261,146
Supplies	\$ 722,729	\$ 763,523	\$ 790,246	\$ 817,905	\$ 846,532	\$ 876,160
Subtotal	\$ 5,360,675	\$ 5,608,222	\$ 5,941,758	\$ 5,993,000	\$ 6,333,480	\$ 6,685,387
Capital Expenses						
Capital - Appropriated	\$ 239,700	\$ 165,000	\$ 47,174	\$ 47,174	\$ 47,174	\$ 47,174
Debt Service	\$ 545,339	\$ 504,316	\$ 489,377	\$ 462,888	\$ 443,124	\$ 387,660
New Debt Service		\$ 209,415	\$ 474,452	\$ 780,489	\$ 1,055,151	\$ 1,330,973
Subtotal	\$ 785,039	\$ 878,731	\$ 1,011,003	\$ 1,290,551	\$ 1,545,449	\$ 1,765,807
TOTAL EXPENSES	\$ 6,145,714	\$ 6,486,953	\$ 6,952,761	\$ 7,283,551	\$ 7,878,929	\$ 8,451,194

PROFORMA

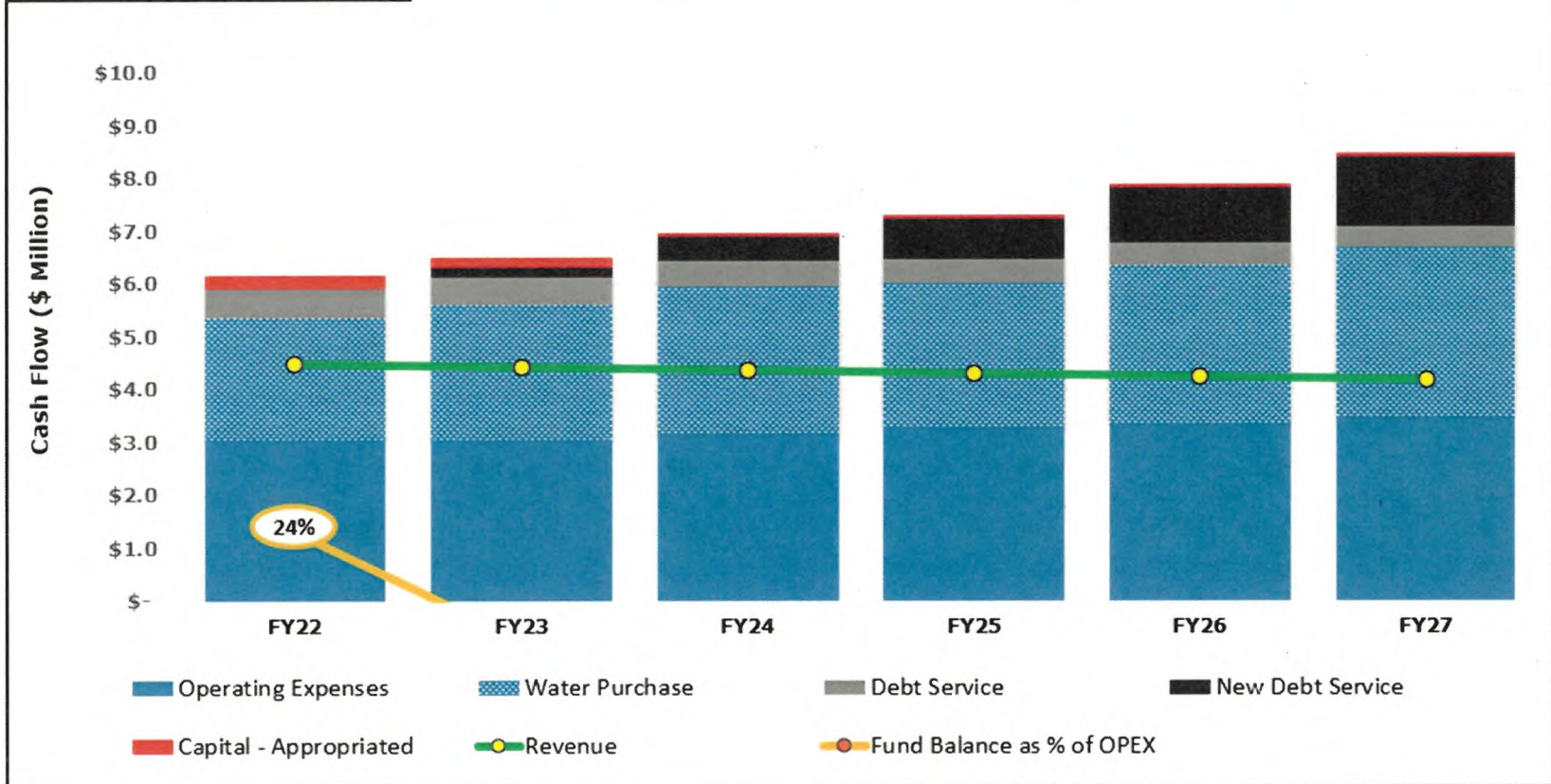
Town of

Water Enterprise Financial Model



	Budget	Year 1	Year 2	Year 3	Year 4	Year 5
	Budget	Budget	Projected	Projected	Projected	Projected
	FY22	FY23	FY24	FY25	FY26	FY27
TOTAL EXPENSES	\$ 6,145,714	\$ 6,486,953	\$ 6,952,761	\$ 7,283,551	\$ 7,878,929	\$ 8,451,194
TOTAL REVENUE	\$ 4,485,150	\$ 4,424,178	\$ 4,358,084	\$ 4,293,401	\$ 4,230,085	\$ 4,168,125
Net Revenue (Revenue-Expense)	\$ (1,660,564)	\$ (2,062,775)	\$ (2,594,677)	\$ (2,990,150)	\$ (3,648,844)	\$ (4,283,069)

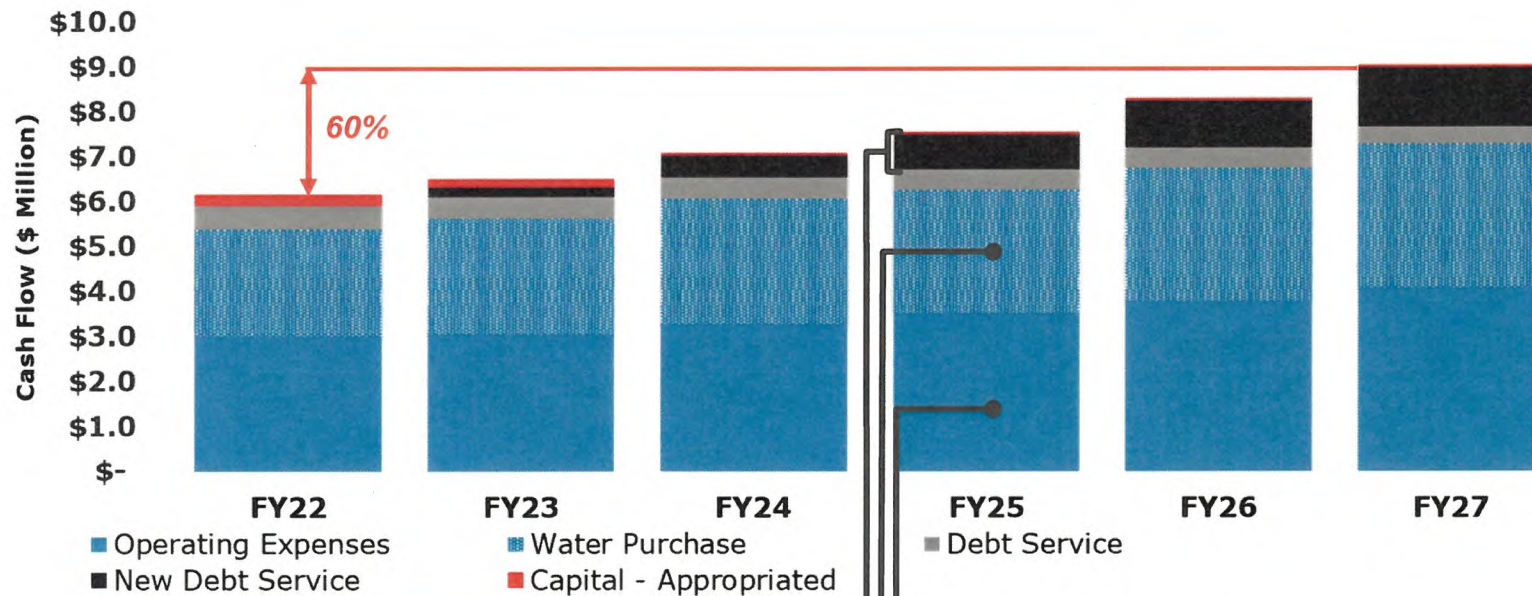
Alt B - 5 years, Do Nothing



SEWER ENTERPRISE



SEWER EXPENSES TO INCREASE 60% OVER NEXT 5 YEARS



From Capital Improvement Plan

Based upon SWSC projections (average annual increase of 7%) with an additional 8% average annual contingency for true ups.

Based upon FY23 budget increased by approximately 3.5% per year

SEWER CAPITAL IMPROVEMENTS

SEWER SYSTEM EVALUATION SURVEY – INFILTRATION/INFLOW (I/I): \$573,500

FY 23 – This evaluation is mandated by MassDEP. The work includes: smoke testing, dye/flood testing, manhole and pipeline inspections to identify where I/I is entering the system.

WESTFIELD RIVER INTERCEPTOR DESIGN & CONSTRUCTION: \$1,750,000

FY 23 – This project is to relocate the existing 24 inch sewer main that is adjacent to an unstable river embankment.

INFILTRATION/INFLOW SEWER SYSTEM ABATEMENT: \$7,250,000

FY 24 & 25 – This estimate is to repair the issues found in the FY23 sewer system evaluation survey.

- ✓ **Reduces/eliminates ground water from entering the system**
- ✓ **Increases resiliency of sewer system**
- ✓ **Reduces overall age of System**



SEWER EXPENSES

Sewer Enterprise Dashboard

Town of
Agawam

	Budget FY22	Budget FY23	Projected FY24	Projected FY25	Projected FY26	Projected FY27
Operating Expenses						
Wastewater Treatment	\$1,621,883	\$1,621,883	\$1,586,331	\$1,804,280	\$1,782,808	\$1,899,128
Purchase of Services	\$1,189,028	\$1,315,054	\$1,424,560	\$1,567,016	\$1,723,717	\$1,896,089
Personnel	\$686,474	\$737,429	\$763,239	\$789,952	\$817,601	\$846,217
Supplies	\$95,239	\$102,539	\$112,793	\$124,072	\$136,479	\$150,127
Subtotal	\$3,592,624	\$3,776,905	\$3,886,923	\$4,285,321	\$4,460,605	\$4,791,561
Capital Expenses						
Capital Outlay	\$47,174	\$47,174	\$47,174	\$47,174	\$47,174	\$47,174
Debt Service	\$408,431	\$379,092	\$319,752	\$310,689	\$303,199	\$246,610
New Debt Service	\$0	\$347,890	\$692,532	\$1,077,599	\$1,367,679	\$1,338,583
Subtotal	\$455,605	\$774,156	\$1,059,458	\$1,435,462	\$1,718,052	\$1,632,367
TOTAL EXPENSES	\$4,048,229	\$4,551,061	\$4,946,381	\$5,720,782	\$6,178,657	\$6,423,928

PROFORMA

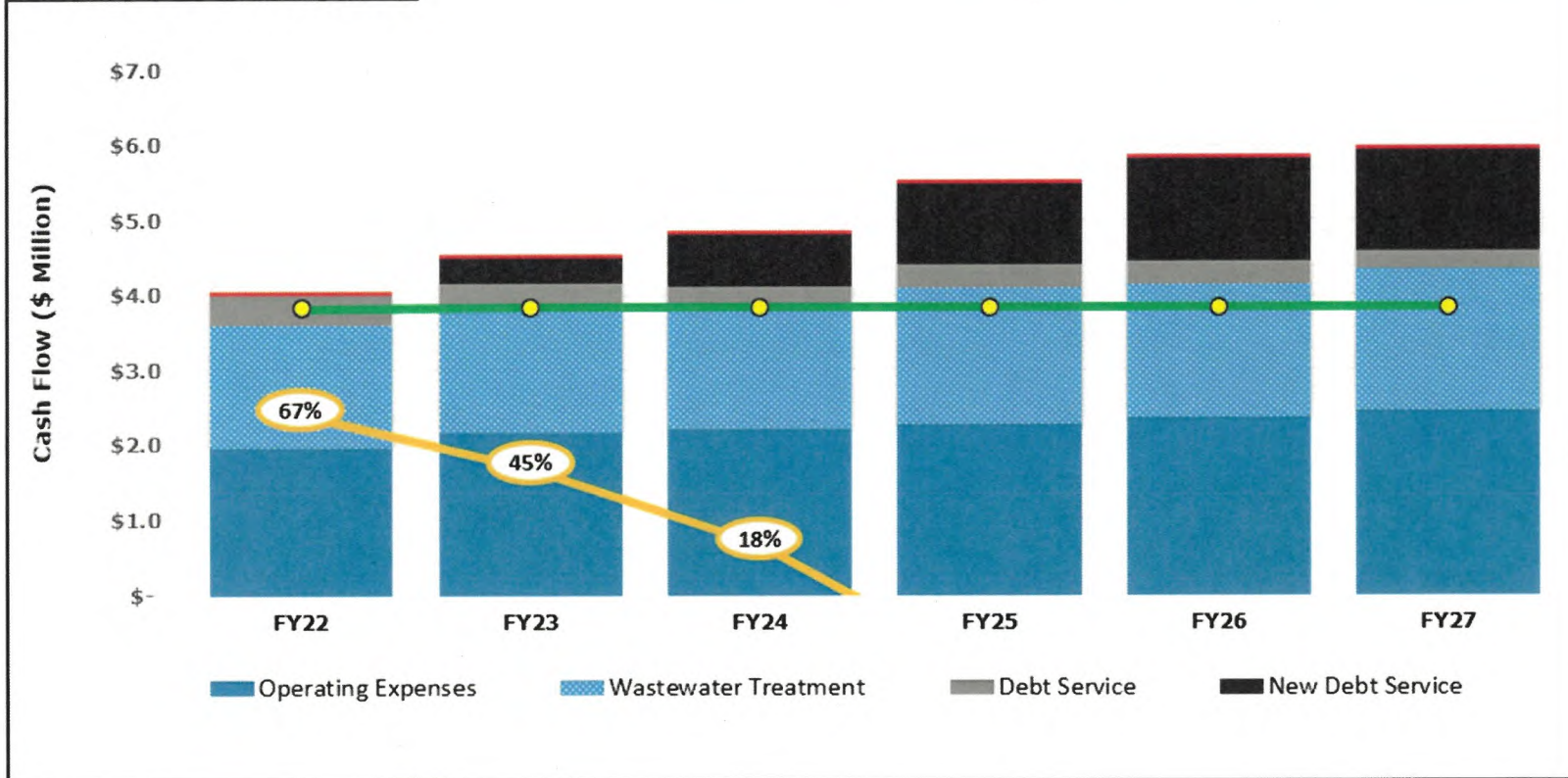
Town of



Sewer Enterprise Financial Model

	Budget	Year 1	Year 2	Year 3	Year 4	Year 5
	FY22	Projected FY23	Projected FY24	Projected FY25	Projected FY26	Projected FY27
TOTAL EXPENSES	\$ 4,048,229	\$ 4,551,061	\$ 4,855,537	\$ 5,526,831	\$ 5,867,997	\$ 5,981,482
TOTAL REVENUE	\$ 3,838,457	\$ 3,838,796	\$ 3,839,136	\$ 3,839,477	\$ 3,839,818	\$ 3,840,160
Net Revenue (Revenue-Expense)	\$ (209,772)	\$ (712,265)	\$ (1,016,401)	\$ (1,687,354)	\$ (2,028,179)	\$ (2,141,321)

Alt B - 5 years, do nothing



CUSTOMER COST IMPACTS



WATER AND SEWER INCREASES

WATER

Description	Rate Increase		55%	0%	25%	0%	0%
	Type	FY22	FY23	FY24	FY25	FY26	FY27
Service Charge - Quarterly	Base Fee	\$17.50	\$27.50	\$27.50	\$34.40	\$34.40	\$34.40
Commercial / Industrial	Usage	\$2.38	\$3.69	\$3.69	\$4.61	\$4.61	\$4.61
Residential (< 2,000 CF)	Usage	\$1.90	\$2.95	\$2.95	\$3.68	\$3.68	\$3.68
Residential (> 2,000 CF)	Usage	\$2.38	\$3.69	\$3.69	\$4.61	\$4.61	\$4.61

SEWER

Description	Rate Increase		25%	0%	25%	0%	0%
	Type	FY22	FY23	FY24	FY25	FY26	FY27
Minimum Charge	Fee	\$20.05	\$25.06	\$25.06	\$31.33	\$31.33	\$31.33
Comm. / Ind. / Res.	Usage	\$4.01	\$5.01	\$5.01	\$6.27	\$6.27	\$6.27

TYPICAL RESIDENTIAL COSTS

Annual Cost - Typical Residential *

Scenario	FY22	FY23	FY24	FY25	FY26	FY27
Water	\$ 237.51	\$ 369.64	\$ 369.64	\$ 462.14	\$ 462.14	\$ 462.14
<i>Increase</i>		\$ 132	\$ -	\$ 93	\$ -	\$ -
Sewer	\$ 312.23	\$ 390.29	\$ 390.29	\$ 487.87	\$ 487.87	\$ 487.87
<i>Increase</i>		\$ 78	\$ -	\$ 98	\$ -	\$ -
Total	\$ 549.74	\$ 759.93	\$ 759.93	\$ 950.01	\$ 950.01	\$ 950.01
<i>Increase</i>		\$ 210	\$ -	\$ 190	\$ -	\$ -

* Average Agawam Family

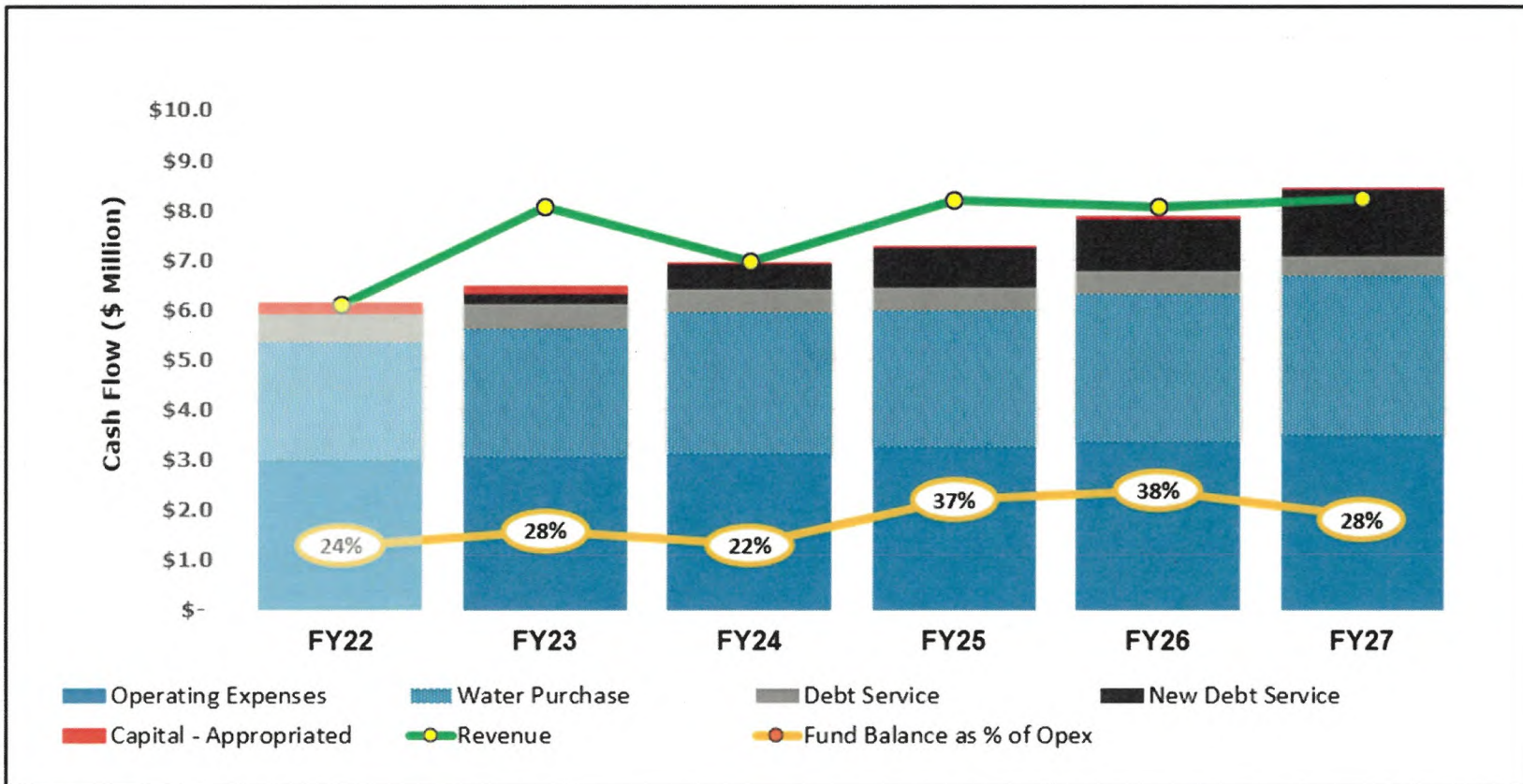
PROFORMA - WATER

Town of

Water Enterprise Financial Model



	Budget	Year 1	Year 2	Year 3	Year 4	Year 5
	FY22	Budget FY23	Projected FY24	Projected FY25	Projected FY26	Projected FY27
TOTAL EXPENSES	\$ 6,145,714	\$ 6,486,953	\$ 6,952,761	\$ 7,283,551	\$ 7,878,929	\$ 8,451,194
TOTAL REVENUE	\$ 6,114,567	\$ 8,069,690	\$ 6,984,367	\$ 8,186,976	\$ 8,065,154	\$ 8,233,039



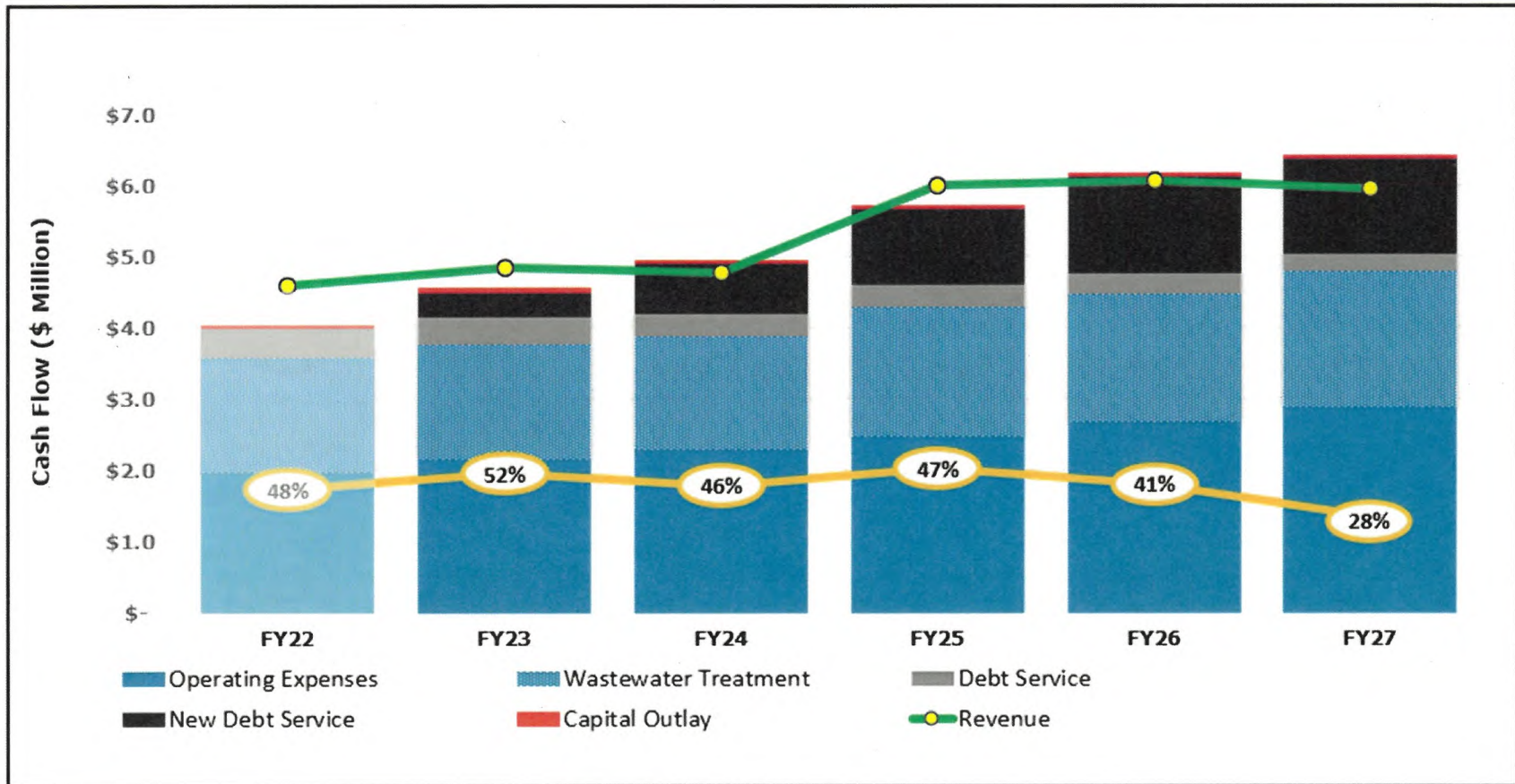
PROFORMA - SEWER

Town of

Sewer Enterprise Financial Model

Agawam

	Budget FY22	Budget FY23	Projected FY24	Projected FY25	Projected FY26	Projected FY27
TOTAL EXPENSES	\$ 4,048,229	\$ 4,551,061	\$ 4,946,381	\$ 5,720,782	\$ 6,178,657	\$ 6,423,928
TOTAL REVENUE	\$ 4,585,439	\$ 4,847,876	\$ 4,780,170	\$ 5,994,613	\$ 6,077,683	\$ 5,958,063



QUARTERLY BILLING

- Starting in July 2022 bills will be sent 4 times a year.
- Most Western Mass cities & towns bill quarterly, Springfield bills monthly
- Payments need to be remitted in 30 days.
- Penalties will now start after 30 days.
- Cost increase are nominal; 2 extra bill printings and mailings, billing software update costs, some additional labor costs.
- All increases are included in FY 23 budget request.

COMPARISON TO OTHER COMMUNITIES

Community	Water Rate (HCF)	Sewer Rate (HCF)	Billing Frequency
Agawam - Current	\$1.90	\$4.01	Semi-annually
Agawam - Proposed	\$2.95	\$5.01	Quarterly
Westfield	\$3.50	\$113.75	Quarterly
Holyoke	\$3.52	\$5.61	Quarterly (Flat Rate)
West Springfield	\$3.60	\$4.62	Quarterly
East Longmeadow	\$3.60	\$3.80	Quarterly
Longmeadow	\$3.70	\$2.76	Quarterly
Chicopee	\$3.95	\$6.42	Quarterly
Springfield	\$4.46	\$7.05	Monthly
Ludlow	\$4.46	\$7.05	Monthly

Based upon research conducted by the DPW to show the most recent data available, as a result some rates shown may not have been officially adopted yet.