

PUBLIC HEARING ON FY2008 WATER AND SEWER RATES
(CONTINUED FROM 18 JUNE 2007)

Appropriations Committee

Chairman Brodeur, Boisselle,
Buonopane, Conn, Forbes, Heavey,
Seaboyer, Wright, Mortimer
Absent: Infurna, Tramontozzi
In attendance: City Auditor/CFO
Patrick Dello Russo, City Engineer
Bob Beshara

Appropriations reconvenes at 9:30 p.m.

Chairman Brodeur says this is a continuation of the public hearing held on 18 June 2007 on the FY2008 water and sewer rates:

Order No. 07-179, Amending Melrose Revised Ordinances, Chapter 228, Article II, Section 228-15 (Water Rates Established) by deleting: after the words Residential rate "\$4.15" and insert in place thereof "\$4.70"; delete after the words Commercial rate "\$5.20" and insert in place thereof "\$5.75"; further delete "effective July I, 2006" respectively and insert in place thereof "effective July I, 2007" respectively.

07-180, Amending Melrose Revised Ordinances, Chapter 228, Article IV, Section 228-30 (Sewer Rates Established) by deleting the words "rate of \$7.10" and insert in place thereof the words "rate of \$7.80"; further delete after the words rendered as of "July I, 2006" and insert in place thereof "July I, 2007".

Mr. Dello Russo distributes a memo dated 16 July 2007 from City Engineer Bob Beshara with revised rate information. He reads into the record:

"The water residential rate will be changed from \$4.15 to \$4.70, an increase of \$0.55 = 13.25%. The commercial water rate will be changed from \$5.20 to \$5.75, an increase of \$0.55 = 10.58%. The sewer rate will be changed from \$7.10 to \$7.50, an increase of \$0.40 or 5.63%."

Mr. Dello Russo says there are a couple of significant points to bring to the Aldermen's attention to clarify what happens in these budgets. The first of four key components is that the MWRA's combined assessment increase is less than it was in FY2007: water was 15.2% and sewer was 6.4%. Now water is 2.8% and sewer is 2.7%. It is especially important because the assessments account for 50% of the water enterprise budget and 82% of the sewer enterprise budget. The second key component is that the FY2008 water and sewer percentage increases are lower than in FY2007. Last year's increase was 16%; FY2008 increase is 5.63%. The third key component is the average home owner's dollar increase for FY2008 will be \$63.70 versus \$135.00 in FY2007. The final component is that both the water and sewer enterprise funds ended with a positive fund balance. The water fund broke even and the sewer fund has a balance of \$640,358.00. As of May 1 both funds were in a deficit position. The \$640,358 is not a result of last year's operation; it is from FY2005 and FY2006. The money is carried over from one year to the next. Over \$240,000 will be used to reduce the rate for FY2008. The fund is

being used as it is intended to be used – to reduce rates and provide capital for improvements.

Chairman Brodeur opens the floor for Public Participation. No one comes forward.

Alderman Conn asks how many dollars are needed to be cut from the budget for each penny taken off the rate. Mr. Dello Russo says he believes it is \$41,000 per nickel reduction. Alderman Conn asks if the Board of Aldermen will receive an order to vote on the new budget. Chairman Brodeur says he has prepared an Order Out-of-Order to reflect the new line-item. Alderman Conn asks if it will be sent to committee; Chairman Brodeur says yes. Alderman Conn asks with the new budget if the average household increase will be \$63.00 per year. Mr. Dello Russo says yes. Alderman Conn asks how the budgets went from a deficit position to a positive position. Mr. Dello Russo says he has the actual reports with him – the numbers used relative to cash positions in both funds. Both were in the negative in May. The last two months of the year saw an influx that turned the deficit in water to break even. Alderman Conn asks if the problem is with consumption. Mr. Beshara says the fund was slowly eroding since last October. It began with \$445,000 and ran into a deficit by May. Alderman Conn asks in building the current rate if it was assumed the trend would continue or flatten out. Mr. Beshara says he didn't assume the trend would change. Alderman Conn says if the rate is approved and consumption continues at the same rate the fund will end up with a surplus. Mr. Dello Russo says yes, but they have to remember there was \$445,000 in the budget to begin with, which came from earlier years. Alderman Conn says his philosophy is to pinch the rate so that the City isn't taking more money than necessary from consumers. The major increase in the rate is for repayment of debt. Mr. Dello Russo says that is correct. Alderman Conn says the Board of Aldermen has approved the projects and asks if the City will continue with them. Mr. Beshara says he foresees the sewer projects continuing at the same pace. Alderman Conn asks what the consequences are if the Aldermen do not vote for the water rate this evening. Mr. Beshara says the billing cycle is coming up in the next few weeks and the City would have to bill at the FY2007 rates. Alderman Conn asks if there would be any problem with setting the rates in August. Mr. Dello Russo says that adjustments would have to be made after the fact, which could be confusing, but the rate could be set in August. Mr. Beshara says it would be better to set the rates now, because chances are good that the rate would increase in August. Alderman Conn asks what the impact of \$23 million in system-wide rate relief will mean to Melrose. Mr. Beshara says it's not easy to know what those numbers are. Mr. Dello Russo says he believes it will be \$56,000.00 for the water assessment and \$122,000.00 for the sewer assessment. Alderman Conn says that regarding rate relief, a \$.05 decrease of the rate would be a reduction of \$41,000 of the budget.

Chairman Brodeur asks if waiting to set the rate in August would mean an entire quarter's worth of bills would be sent out at the FY2007 rate. Mr. Beshara says yes. Chairman Brodeur asks if a higher rate would have to be set to make up the difference or if a supplemental bill would have to be sent. Mr. Beshara says a supplemental bill would be sent. Alderman Brodeur suggests the Aldermen make every effort not to have to send a second bill for service already received.

Alderman Boisselle says that every year the new rate creates sticker shock which triggers a decrease in consumption which causes a deficit to the funds. Mr. Beshara agrees that conserving water hurts the City's revenues. Alderman Boisselle asks if the

various projects will suffer if not enough money is collected this year. Mr. Beshara says no, the major projects have been funded, but the regular maintenance projects will suffer.

Chairman Brodeur closes the public hearing at 10:05 p.m. and says the two orders are before the Committee.

Order No. 07-179, Amending Melrose Revised Ordinances, Chapter 228, Article II, Section 228-15 (Water Rates Established) by deleting: after the words Residential rate "\$4.15" and insert in place thereof "\$4.70"; delete after the words Commercial rate "\$5.20" and insert in place thereof "\$5.75"; further delete "effective July 1, 2006" respectively and insert in place thereof "effective July 1, 2007" respectively.

Alderman Tramontozzi moves to recommend the order to the full board, 2nd by Alderman Forbes. Motion carries (2 opposed).

Order No. 07-180, Amending Melrose Revised Ordinances, Chapter 228, Article IV, Section 228-30 (Sewer Rates Established) by deleting the words "rate of \$7.10" and insert in place thereof the words "rate of \$7.80"; further delete after the words rendered as of "July 1, 2006" and insert in place thereof "July 1, 2007".

Chairman Brodeur says the Auditor has requested that the proposed rate be amended to \$7.50. So moved by Alderman Tramontozzi, 2nd by Alderman Forbes. Motion carries (1 opposed). Alderman Tramontozzi moves to recommend to the full board as amended, 2nd by Alderman Forbes.

On discussion Alderman Forbes asks if the amended total affects the operating budget. Mr. Beshara says no.

On the motion to recommend as amended, motion carries (1 opposed).

Alderman Buonopane motions to adjourn, 2nd by Alderman Seaboyer. All in favor.

Appropriations adjourns at 10:10 p.m.

Maribeth Harrington
Clerk of Committees