

AGENDA ITEM SUMMARY

LEXINGTON BOARD OF SELECTMEN MEETING

DATE:

September 9, 2013

STAFF:

Rob Addelson

ITEM NUMBER:

I.4

SUBJECT:

FY2014 Water and Wastewater Rates

EXECUTIVE SUMMARY: This is the first of three discussions regarding Water/Wastewater Rates for FY2014. Our presentations will be as follows:

1. September 9, 2013:
 - Review results of FY2013 water and sewer operations, billed consumption and retained earnings history.
 - Present FY2014 water and sewer budgets as adopted at the 2013 annual town meeting (direct and indirect costs) and proposed revisions to these budgets, which will serve as the basis for calculating FY2014 water and sewer rates.
 - Present preliminary water and sewer rates for FY2014
2. September 23, 2013: Receive public comments on preliminary water and sewer rates for FY2014
3. October 7, 2013: Board of Selectmen vote on recommended FY14 water and sewer rates

Documents Provided - Memorandum from the Assistant Town Manager for Finance to the Town Manager including:

- FY2013 Wastewater Budget – Operating Results
 - Sewer Budget Spending and History: FY10 to FY14
 - FY2013 Water Budget – Operating Results
 - Water Budget Spending and History: FY10 to FY14
 - Retained Earnings History
 - Water Consumption History: FY2005 to FY2013
 - Preliminary FY14 Water and Wastewater Rates
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FINANCIAL IMPACT:

NA

RECOMMENDATION / SUGGESTED MOTION:

NA

STAFF FOLLOW-UP: Finance



FY2014 WATER AND WASTEWATER RATE SETTING

FY13 OPERATING RESULTS

WATER FUND

	Budget	Actual	Difference
Revenues	\$ 8,148,143	\$ 9,293,238	\$ 1,145,095
Expenditures	\$ 8,148,142	\$ 7,986,603	\$ 161,539
Addition to Fund Balance			\$ 1,306,634

WASTEWATER FUND

	Budget	Actual	Difference
Revenues	\$ 9,143,859	\$ 9,985,768	\$ 841,909
Expenditures	\$ 9,143,859	\$ 9,041,143	\$ 102,716
Addition to Fund Balance			\$ 944,625

RETAINED EARNINGS HISTORY

	Certified as of 6/30/2010	Certified as of 6/30/2011	Certified as of 6/30/2012	Projected Certification as of 6/30/13 ¹
WATER				
Certified	\$ 1,622,052	\$ 1,952,253	\$ 2,066,566	\$ 2,300,000
Appropriated	\$ 595,100	\$ 575,000	\$ 1,050,000	NA
WASTEWATER				
Certified	\$ 1,525,612	\$ 1,168,190	\$ 1,310,716	\$ 1,900,000
Appropriated	\$ 600,000	\$ 150,000	\$ 300,000	NA

¹ Contributing to the projected 6/30/13 certification of water retained earnings is FY13 usage by Bedford in excess of estimates attributable to its aggressive flushing program in the summer of 2012 to remediate contamination in some parts of the Bedford water system, which resulted in payments from Bedford being approximately \$210,000 greater than projections.

PRELIMINARY FY14 RATES

	WATER		WASTEWATER	
	FY13	FY14	FY13	FY14
block 1	\$ 3.20	\$ 3.37	\$ 6.94	\$ 7.02
block 2	\$ 4.80	\$ 5.05	\$ 11.34	\$ 11.48
block 3	\$ 6.33	\$ 6.65	\$ 18.02	\$ 18.23
irrigation	\$ 6.33	\$ 6.65	NA	NA
municipal	\$ 2.27	\$ 2.34	\$ 2.38	\$ 2.65
Hanscom	\$ 4.72	\$ 4.84	NA	NA
Embrige Research	\$ 4.72	\$ 4.84	NA	NA
VA Hospital	\$ 5.64	\$ 5.93	NA	NA
Bedford-water	\$ 2.29	\$ 2.36	NA	NA

NOTE: There are no significant changes in consumption estimates from FY13



IMPACT OF PRELIMINARY RATES ON LOW/AVERAGE/HIGH USERS

	\$ Change - Water/Wastewater Combined	% Increase
Low (50 HCF/yr)	\$ 12.50	2.4%
Average (120 HCF/yr)	\$ 35.60	2.3%
High (1000 HCF/yr)	\$ 496.40	2.2%



Town of Lexington
Comptroller's Office

Robert Addelson, Assistant Town Manager for Finance

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To: Carl Valente, Town Manager

From: Rob Addelson, Assistant Town Manager for Finance

Date: September 9, 2013

Subject: Recommended FY2014 Water and Wastewater Rates

The attached packet contains information in support of the proposed FY2014 water and wastewater rates. The packet includes:

- FY13 Operating Results for the water and wastewater operations.
- Water and Wastewater expenditure history including the proposed amendment to the FY14 budgets adopted at the 2013 annual town meeting to be the basis for proposed FY14 rates.
- Water consumption history for FY05 to FY13 including the estimates of FY2014 usage to be used in calculating proposed FY2014 water and wastewater rates.
- A history of water purchased from the MWRA, by month, from 1997 through June, 2013
 - Preliminary FY2014 water and wastewater rates.
 - A presentation of the combined impact of FY2014 water and wastewater rates and various levels of annual usage.
 - A seven year history of rate changes in Lexington
 - Retained earnings history for the water and wastewater funds
 - MWRA Advisory Board: Annual Water and Wastewater Retail Rate Survey, November 2012.

FY13 Water and Wastewater operating results and FY2014 Water and Wastewater Budgets:

FY13 Water Operating Results: As shown on page 1 attached, unaudited FY13 operating results were positive for both the revenue collected and expenditures generating a surplus of approximately \$1.3 million of which approximately \$162,000 is from expenditures under budget and \$1.145 million is from revenue in excess of estimates. Of the revenue in excess of estimates, approximately \$200,000 is from unanticipated premiums on the issuance of bonds, and approximately \$900,000 is due

to water usage in excess of estimates. A review of FY13 usage versus estimates (see page 2 attached) shows the largest drivers of excess usage attributable to Bedford (approximately \$210,000) and irrigation accounts (approximately \$186,000).

FY2014 Water Budget: There is one change proposed to the budget as adopted at the 2013 annual town meeting; a \$10,427 decrease in the MWRA assessment based on the final assessment adopted by the MWRA Board of Directors in June 2013. (See page 4 attached)

Based on the proposed revision to the FY2014 water budget adopted at the 2013 annual town meeting, the FY2014 water budget will be \$8,696,792 inclusive of indirect costs, which represents a \$548,650, or 6.7%, increase over the final FY2013 budget. The largest driver of this increase is a \$409,138, or 8%, increase to the FY14 MWRA water assessment, with much of that increase attributable to increased usage by the Town of Bedford in the summer of 2012 for an aggressive flushing program.

FY13 Wastewater Operating Results: As shown on page 5 attached, unaudited FY13 operating results were positive for both the revenue and expenditure budgets generating a surplus of approximately \$944,000 of which approximately \$103,000 is from expenditures under budget and \$842,000 is from revenue in excess of estimates. Of the revenue in excess of estimates, approximately \$294,000 is from unanticipated premiums on the issuance of bonds, and approximately \$502,000 is due to water usage in excess of estimates.

FY2014 Wastewater Budget: There is one change proposed to the budget as adopted at the 2013 annual town meeting: a \$24,966 decrease in the MWRA assessment based on the final assessment adopted by the MWRA Board of Directors in June 2013 (see page 6 attached).

Based on the proposed revision to the FY2014 Wastewater budget adopted at the 2013 annual town meeting, the FY2014 wastewater budget will be \$9,225,900 inclusive of indirect costs, which represents a \$2,041, or 0.9%, increase over the final FY2013 budget.

On a combined basis, water and wastewater budgets are increasing 3.6% from FY2013 to FY2014.

Proposed FY2014 Rates:

Though budgets are increasing 3.6% on a combined basis, preliminary water and sewer rates are proposed to increase 2.4% on a combined basis for the average user of 120 hundred cubic feet (hcf), reflecting a 5.2% increase in water rates (page 7 attached) and a 1.2% increase in wastewater rates (page 8 attached).

A factor that is mitigating the increase in water rates is the use of \$200,000 in retained earnings attributable to FY13 Bedford usage in excess of FY13 estimates. The additional usage resulted in excess revenue of approximately \$200,000, which is being applied to offset a portion of the increase in the FY14 MWRA assessment attributable to the increased Bedford usage. In the absence of the use of this \$200,000 in retained earnings, retained earnings to support the FY14 water budget is decreasing by \$50,000 from FY13 to continue the practice of reducing the use of retained earnings as a revenue source for the water operating budget that began last fiscal year. Correspondingly, the use of retained earnings to support the FY14 wastewater operating budget is also decreasing by \$50,000.

The impact of the proposed rates on a low (50 hcf), average (120 hcf) and high user (240 hcf) is shown on page 9 attached. Also shown is the impact on a hypothetical commercial user of 1000 hcf per year.

Assumptions on estimated usage used to build the preliminary FY14 rates are shown on page 2 attached. In an effort to show wet year versus dry variations, the history of water purchased from the MWRA by month and fiscal year from 1997 to 2013 is shown in the attached page 3. Based on a review and analysis of the data shown on pages 2 and 3, estimates of usage for FY14 are unchanged from those used to set FY13 rates.

Recent History of Rate Changes

The table below depicts the history of rate increases in Lexington since FY2006 and shows the average annual increase in rates from FY2006 to proposed FY2014 rates.

Annual Water and Sewer Charges for Household Using 120 HCF per Year				
	Water	Sewer	Total	% Change from Prior Year
Preliminary FY2014	\$ 471.60	\$ 1,020.80	\$ 1,492.40	2.4%
FY2013	\$ 448.00	\$ 1,008.80	\$ 1,456.80	3.5%
FY2012	\$ 436.79	\$ 970.52	\$ 1,407.32	12.6%
FY2011	\$ 411.60	\$ 838.44	\$ 1,250.04	0.8%
FY2010	\$ 407.60	\$ 832.80	\$ 1,240.40	-3.8%
FY2009	\$ 415.60	\$ 873.60	\$ 1,289.20	2.9%
FY2008	\$ 379.20	\$ 873.60	\$ 1,252.80	0.0%
FY2007	\$ 379.20	\$ 873.60	\$ 1,252.80	6.6%
FY2006	\$ 355.20	\$ 820.00	\$ 1,175.20	

**Average Annual Change - FY06 to
Proposed FY14** **3.4%**

Retained Earnings History

A Retained Earnings history including estimates of retained earnings as of 6/30/13 is shown on page 10.

Water retained earnings as of 6/30/2012 was \$2,066,566 from which the following amounts were voted at the 2013 annual town meeting: \$300,000 to support the FY14 operating budget and \$750,000 for FY14 water capital. Retained earnings as of 6/30/2013 is estimated to be \$2.3 million due to the positive operating results of FY13 (see page 1). Contributing to these positive results is usage by Bedford in excess of estimates attributable to its aggressive flushing program in the summer of 2012, which resulted in payments from Bedford being approximately \$210,000 greater than projections. Also contributing to the positive results of FY13 is irrigation usage in excess of estimates due to a relatively dry summer, which resulted in payments from irrigation accounts approximately \$186,000 greater than projections.

Wastewater retained earnings as of 6/30/2012 was \$1,310,716 from which the following amounts were voted at the 2013 annual town meeting: \$100,000 to support the FY14 operating budget and \$200,000 for FY14 water capital. Retained earnings as of 6/30/2013 is estimated to be \$1.9 million due to the positive operating results of FY13 (see page 5). Contributing to these positive results is approximately 34,000 hundred cubic feet (HCF) of usage in excess of estimates yielding payments from accounts approximately \$500,000 excess of projections. The reasons for this excess usage are subject to further analysis.

It has been the practice to maintain an unused balance of retained earnings for a variety of reasons including the funding of unanticipated emergency spending; to cover potential revenue shortfalls; and, to serve as a source of working capital so that general fund cash – at the expense of general fund investment income - does not have to be used for water and wastewater fund operating cash.

Community Comparisons

Finally, included is a comparison of Lexington's proposed rates with those of the other MWRA member communities based on the MWRA Advisory Board's Annual Water and Wastewater Retail Rate Survey issued in November 2012 (see page 11 attached).

Please let me know if you have any questions.

Water Enterprise Fund - Town of Lexington

FY 2013 Budget - Operating Results

Revenues	FY 2013 Budget	FY 2013 Actuals	Difference
User Charges	\$ 7,575,143	\$ 8,488,558	\$ 913,415
Non-Rate Revenue			
Penalties & Interest Late Charges		\$ 28,732	\$ 28,732
Betterments		\$ 1,466	\$ 1,466
Tax Liens/Titles Redeemed	\$ 125,000	\$ 9,708	\$ (115,292)
2005 Water Liens		\$ (262)	\$ (262)
2007 Water Liens		\$ 997	\$ 997
2010 Water Liens		\$ 92	\$ 92
2011 Water Liens		\$ 246	\$ 246
2012 Water Liens		\$ 9,266	\$ 9,266
2013 Water Liens		\$ 121,800	
New Meter Charge	\$ 40,000	\$ 63,827	\$ 23,827
Misc. Dept Revenue		\$ 11,511	\$ 11,511
Bedford Demand Charge ¹	\$ 58,000		\$ (58,000)
Premiums on Bonds/Notes Issued		\$ 199,754	\$ 199,754
Interest Earned		\$ 7,543	\$ 7,543
sub-total Non-rate Revenue	\$ 223,000	\$ 454,680	\$ 231,680
Retained Earnings	\$ 350,000	\$ 350,000	
Water Enterprise Total Revenues	\$ 8,148,143	\$ 9,293,238	\$ 1,145,095

¹ Actual collections against Bedford Demand Charge included in user charges collections

Expenses

Direct Costs

Compensation	\$ 647,687	\$ 592,228	\$ 55,459
Expenses			
Contractual Services	\$ 194,840	\$ 152,244	\$ 42,596
Utilities	\$ 5,750	\$ 6,848	\$ (1,098)
Supplies	\$ 153,000	\$ 160,256	\$ (7,256)
Small Equipment	\$ 36,000	\$ 13,916	\$ 22,084
Debt	\$ 1,299,091	\$ 1,249,336	\$ 49,755
MWRA	\$ 5,145,927	\$ 5,145,927	\$ -
Total Direct Costs	\$ 7,482,295	\$ 7,320,756	\$ 161,539

Indirect Costs

Line 2110 - Retirement	\$ 64,600	\$ 64,600	\$ -
Line 2130 - Health Benefits	\$ 101,212	\$ 101,212	\$ -
Line 2130 - General Liability Insurance	\$ 22,902	\$ 22,902	\$ -
Line 2320 - Municipal Salary Adjustment	\$ 11,207	\$ 11,207	\$ -
Line 3100-3500 DPW	\$ 307,792	\$ 307,792	\$ -
Line 8200 - Town Manager	\$ 13,480	\$ 13,480	\$ -
Line 8400 - Finance	\$ 124,514	\$ 124,514	\$ -
Line 8600 - MIS	\$ 20,140	\$ 20,140	\$ -
Total Indirect Costs	\$ 665,847	\$ 665,847	\$ -

Water Enterprise Total Expenses	\$ 8,148,142	\$ 7,986,603	\$ 161,539
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FY 2012 Surplus/(Deficit)			\$ 1,306,634
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**TOWN OF LEXINGTON
WATER AND WASTEWATER USAGE HISTORY - FY2005 TO FY2013
(in hundred cubic feet (HCF))**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)
DESCRIPTION	HCF RANGE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Estimates Used to Build FY2013 Rates	9 Year Average	4 Year Average	Estimates Used to Build Preliminary FY2014 Rates	
(1) WATER	TIER 1 0-40	695,256	678,957	685,189	690,562	671,377	679,186	668,378	668,867	678,055	668,000	679,536	673,622	668,000	
(2) WATER	TIER 2 41-80	161,251	153,558	141,115	153,548	117,408	118,731	118,963	103,797	107,116	110,000	130,610	112,152	110,000	
(3) WATER	TIER 3 80+	186,517	193,594	163,047	161,493	163,506	177,757	195,318	207,111	211,998	200,000	184,482	198,046	200,000	
(4) TOTAL		1,043,024	1,026,109	989,351	1,005,603	952,291	975,674	982,659	979,775	997,169	978,000	994,628	983,819	978,000	
(5) WATER - MUNICIPAL	FLAT RATE	12,978	10,964	12,768	11,594	12,154	13,078	17,217	17,461	16,378	17,000	13,844	16,034	17,000	
(6) WATER-IRRIGATION	TIER 3	165,662	215,651	172,174	253,909	198,300	167,201	288,831	229,814	259,445	230,000	216,776	236,323	230,000	
(7) WATER BEDFORD	FLAT RATE	574,226	658,558	543,765	567,208	511,273	545,198	611,682	556,733	635,024	543,616	578,185	587,159	544,000	
(8) WATER - VA HOSPITAL	FLAT RATE	56,419	52,655	43,641	33,016	33,614	33,789	34,654	29,809	33,237	33,768	38,982	32,872	33,000	
(9) HANSCOM/LINCOLN LABS		272,613	263,609	258,943	237,924	235,542	214,910	238,236	266,648	256,648	235,000	249,453	244,111	235,000	
(10) WATER-BURLINGTON	FLAT RATE	-	1,607	-	43,221	-	-	-	7,025	-	-	5,761	1,756	-	
(11) TOTAL WATER		2,124,922	2,229,153	2,020,642	2,152,475	1,943,174	1,949,850	2,173,279	2,087,265	2,197,901	2,037,384	2,097,629	2,102,074	2,272,000	
(12) WASTEWATER	TIER 1 0-40	667,001	652,777	659,297	667,738	654,075	662,286	633,396	655,211	665,460	650,000	657,471	654,088	650,000	
(13) WASTEWATER	TIER 2 41-80	152,695	145,164	134,383	146,876	113,324	115,373	112,013	100,792	104,431	105,000	125,006	108,152	105,000	
(14) WASTEWATER	TIER 3 80+	167,666	169,230	151,419	149,288	157,752	171,081	179,281	197,966	208,794	190,000	172,497	189,281	190,000	
(15) TOTAL		987,362	967,171	945,099	963,902	925,151	948,740	924,690	953,969	978,685	945,000	954,974	951,521	945,000	
(16) WASTEWATER MUNICIPAL RATE	FLAT RATE	7,996	8,974	7,213	10,411	4,896	2,097	12,874	13,819	12,391	13,000	8,963	10,295	13,000	
(17) TOTAL WASTEWATER		995,358	976,145	952,312	974,313	930,047	950,837	937,564	967,788	991,076	958,000	963,938	961,816	958,000	

WATER PURCHASED FROM THE MWRA BY MONTH AND FISCAL YEAR: 1997 TO 2013

MG	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
FY1998	257.7	230.0	180.7	151.5	133.8	138.2	136.0	121.3	133.9	135.6	184.7	195.6	1998.9
FY1999	247.9	219.7	180.9	140.3	120.0	122.9	148.3	146.4	154.0	156.1	187.4	277.6	2101.5
FY2000	247.9	219.7	180.9	140.3	120.0	122.9	135.4	125.5	135.7	130.1	142.9	177.7	1879.0
FY2001	211.6	184.3	170.5	147.6	141.4	145.1	148.7	138.4	144.3	136.0	169.9	166.0	1903.8
FY2002	169.4	203.1	187.5	155.2	131.9	127.7	134.4	119.5	124.4	130.2	161.6	169.6	1814.5
FY2003	229.6	255.8	195.0	159.4	130.1	147.2	153.4	141.0	137.7	139.4	156.1	161.0	2005.7
FY2004	222.5	179.0	164.8	140.1	117.4	126.9	126.6	120.4	118.7	123.1	152.0	185.7	1777.1
FY2005	191.9	181.2	168.9	138.7	116.0	117.8	116.5	107.3	118.0	121.2	136.2	196.2	1710.0
FY2006	219.9	224.4	196.1	143.3	119.1	121.0	122.1	109.3	123.2	129.4	148.6	157.3	1813.9
FY2007	201.3	203.9	159.5	135.3	109.7	109.0	117.0	107.8	115.5	111.7	158.9	208.7	1738.2
FY2008	216.9	225.2	202.7	141.5	102.1	107.9	111.5	103.8	121.3	122.2	149.6	185.2	1789.9
FY2009	190.0	167.6	162.5	131.0	115.3	125.0	135.4	118.3	129.4	130.3	160.6	163.6	1729.0
FY2010	160.5	189.3	171.5	122.0	106.7	115.4	120.9	106.1	116.9	113.3	157.3	181.4	1661.3
FY2011	241.7	231.1	192.6	139.2	112.5	115.8	117.6	108.3	125.6	117.8	142.2	180.1	1824.4
FY2012	231.1	186.1	154.0	129.2	99.9	104.8	106.7	104.3	107.7	123.4	147.9	165.1	1660.4
FY2013	236.3	239.1	176.8	135.6	123.1	113.6	120.9	109.7	124.1	113.9	149.8	180.4	1823.2

Average FY97-FY13 217.3 208.7 177.8 140.6 118.7 122.6 128.2 118.0 126.9 127.1 156.6 184.4 1,826.9

Average FY05-FY13 209.9 205.3 176.1 135.1 111.6 114.5 118.7 108.3 120.2 120.3 150.1 179.8 1,750.0

Water Enterprise Fund - Town of Lexington

Budget and Spending History: FY10 to FY2014

Direct Costs

	FY 2010 Actuals*	FY2011 Actuals	FY2012 Actuals	FY2013 Final Budget	FY2013 Actuals	FY2014 TM Budget	FY14 Revised Budget	FY 2013 Final Budget -FY 2014 Rev. Budget	\$ Change	% Change
Compensation	\$ 626,926	\$ 616,920	\$ 603,565	\$ 647,687	\$ 592,228	\$ 667,183	\$ 667,183	\$ 19,496	3.0%	
Expenses										
Contractual Services	\$ 167,253	\$ 222,602	\$ 172,569	\$ 194,840	\$ 152,244	\$ 183,200	\$ 183,200	\$ (11,640)	-6.0%	
PILOT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	
Utilities	\$ 4,121	\$ 4,770	\$ 4,892	\$ 5,750	\$ 6,848	\$ 5,500	\$ 5,500	\$ (250)	-4.3%	
Supplies	\$ 89,344	\$ 170,639	\$ 190,453	\$ 153,000	\$ 160,256	\$ 170,500	\$ 170,500	\$ 17,500	11.4%	
Small Equipment	\$ 14,383	\$ 11,331	\$ 19,350	\$ 36,000	\$ 13,916	\$ 36,000	\$ 36,000	\$ -	0.0%	
Debt	\$ 1,074,551	\$ 1,137,075	\$ 1,233,364	\$ 1,299,091	\$ 1,249,336	\$ 1,260,655	\$ 1,260,655	\$ (38,436)	-3.0%	
MWRA	\$ 4,482,551	\$ 4,745,093	\$ 5,049,999	\$ 5,145,927	\$ 5,145,927	\$ 5,565,492	\$ 5,555,065	\$ 409,138	8.0%	
Total Direct Costs	\$ 6,459,128	\$ 6,908,430	\$ 7,274,192	\$ 7,482,295	\$ 7,320,756	\$ 7,888,530	\$ 7,878,103	\$ 395,808	5.3%	

Indirect Costs

Equipment Maintenance and Depreciation						\$ 46,181	\$ 46,181		
Auto Insurance						\$ 8,984	\$ 8,984		
Indirect Departmental Expenses						\$ 272,982	\$ 272,982		
Workers' Compensation						\$ 14,510	\$ 14,510		
Employee Benefits						\$ 190,435	\$ 190,435		
Retirement Costs						\$ 96,826	\$ 96,826		
Indirect Town Expenses						\$ 175,317	\$ 175,317		
General Insurance						\$ 13,454	\$ 13,454		
Total Indirect Costs	\$ 782,176	\$ 743,400	\$ 704,624	\$ 665,847	\$ 665,847	\$ 818,689	\$ 818,689	\$ 152,842	23.0%

Indirect costs by category are intentionally not shown. Categories of indirect costs shown are from the updated indirect cost analysis conducted in the winter of 2012 for the FY14 budget and represent a re-definition of indirect cost categories from those used in prior fiscal years. Consequently, only the bottom lines are comparable across fiscal years.

Water Enterprise Total Expenses	\$ 7,241,304	\$ 7,651,830	\$ 7,978,816	\$ 8,148,142	\$ 7,986,603	\$ 8,707,219	\$ 8,696,792	\$ 548,650	6.7%
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Wastewater Enterprise Fund - Town of Lexington

FY 2013 Budget - Operating Results

Revenues

	FY 2013 Budget	FY 2013 Actuals	Difference
User Charges	\$ 8,699,459	\$ 9,201,344	\$ 501,885
Non-Rate Revenue			
Penalties & Interest	\$ 50,000	\$ 52,363	\$ 2,363
Betterments	\$ 7,000	\$ 11,618	\$ 4,618
Tax Liens/Titles Redeemed	\$ 225,000	\$ 21,680	\$ (203,320)
2005 Sewer Lien		\$ (969)	\$ (969)
2007 Sewer Lien		\$ 1,077	\$ 1,077
2010 Sewer Lien		\$ 66	\$ 66
2011 Sewer Lien		\$ 797	\$ 797
2012 Sewer Lien		\$ 7,370	\$ 7,370
2013 Sewer Lien		\$ 226,911	\$ 226,911
Previous Connection Charges	\$ -	\$ 4,193.50	\$ 4,193.50
Misc. Dept Revenue	\$ 8,000	\$ 11,736	\$ 3,736
Premiums on Bonds/Notes Issued	\$ -	\$ 293,984	\$ 293,984
Interest Earned	\$ 4,400	\$ 3,597	\$ (803)
sub-total Non-Rate Revenue	\$ 294,400	\$ 634,424	\$ 340,024
Retained Earnings	\$ 150,000	\$ 150,000	\$ -
Sewer Enterprise Total Revenues	\$ 9,143,859	\$ 9,985,768	\$ 841,909

Expenses

Direct Costs

Compensation Expenses	\$ 276,183	\$ 203,310	\$ 72,873
Contractual Services	\$ 157,700	\$ 147,825	\$ 9,875
Supplies	\$ 43,500	\$ 62,972	\$ (19,472)
Utilities	\$ 118,250	\$ 110,101	\$ 8,149
Small Equipment	\$ 13,750	\$ 12,121	\$ 1,629
Debt	\$ 956,855	\$ 927,193	\$ 29,662
MWRA	\$ 6,954,177	\$ 6,954,177	\$ -
Total Direct Costs	\$ 8,520,415	\$ 8,417,699	\$ 102,716

Indirect Costs

Line 2110 - Retirement	\$ 32,144	\$ 32,144	\$ -
Line 2130 - Health Benefits	\$ 50,322	\$ 50,322	\$ -
Line 2130 - General Liability Insurance	\$ 25,083	\$ 25,083	\$ -
Line 2320 - Municipal Salary Adjustment	\$ 5,598	\$ 5,598	\$ -
Line 3100-3500 DPW	\$ 337,103	\$ 337,103	\$ -
Line 8200 - Town Manager	\$ 14,763	\$ 14,763	\$ -
Line 8400 - Finance	\$ 136,371	\$ 136,371	\$ -
Line 8600 - MIS	\$ 22,058	\$ 22,058	\$ -
Total Indirect Costs	\$ 623,444	\$ 623,444	\$ -

Sewer Enterprise Total Expenses	\$ 9,143,859	\$ 9,041,143	\$ 102,716
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FY 2012 Surplus/(Deficit)	\$ 944,625
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Wastewater Enterprise Fund - Town of Lexington

Budget and Spending History: FY10 to FY2014

Direct Costs

	FY 2010 Actuals	FY2011 Actuals	FY2012 Actuals	FY2013 Final Budget	FY2013 Actuals	FY2014 TM Budget	FY2014 Revised Budget	FY 2013 Final Budget -FY 2014 Rev. Budget	\$ Change	% Change
Compensation	\$ 253,315	\$ 230,457	\$ 201,519	\$ 276,183	\$ 203,310	\$ 292,711	\$ 292,711		\$ 16,528	6.0%
Expenses										
Contractual Services	\$ 148,787	\$ 74,605	\$ 157,724	\$ 157,700	\$ 147,825	\$ 141,600	\$ 141,600		\$ (16,100)	-10.2%
PILOT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
Supplies	\$ 32,479	\$ 34,295	\$ 68,006	\$ 43,500	\$ 62,972	\$ 68,250	\$ 68,250		\$ 24,750	56.9%
Utilities	\$ 125,376	\$ 113,147	\$ 109,593	\$ 118,250	\$ 110,101	\$ 114,750	\$ 114,750		\$ (3,500)	-3.0%
Small Equipment	\$ 10,456	\$ 10,531	\$ -	\$ 13,750	\$ 12,121	\$ 12,500	\$ 12,500		\$ (1,250)	-9.1%
Debt	\$ 575,357	\$ 899,260	\$ 1,016,551	\$ 956,855	\$ 927,193	\$ 1,131,673	\$ 1,131,673		\$ 174,818	18.3%
MWRA	\$ 6,245,946	\$ 6,405,931	\$ 6,802,875	\$ 6,954,177	\$ 6,954,177	\$ 7,039,266	\$ 7,014,300		\$ 60,123	0.9%
Total Direct Costs	\$ 7,391,715	\$ 7,768,226	\$ 8,356,268	\$ 8,520,415	\$ 8,417,699	\$ 8,800,750	\$ 8,775,784		\$ 255,369	3.0%

Indirect Costs

Equipment Maintenance and Depreciation						\$ 33,617	\$ 33,617			
Auto Insurance						\$ 5,904	\$ 5,904			
Indirect Departmental Expenses						\$ 182,225	\$ 182,225			
Workers' Compensation						\$ 6,524	\$ 6,524			
Employee Benefits						\$ 52,723	\$ 52,723			
Retirement Costs						\$ 16,768	\$ 16,768			
Indirect Town Expenses						\$ 139,710	\$ 139,710			
General Insurance						\$ 12,645	\$ 12,645			
Total Indirect Costs	\$ 691,763	\$ 668,990	\$ 646,217	\$ 623,444	\$ 623,444	\$ 450,116	\$ 450,116		\$ (173,328)	-27.8%
Sewer Enterprise Total Expenses	\$ 8,083,478	\$ 8,437,216	\$ 9,002,485	\$ 9,143,859	\$ 9,041,143	\$ 9,250,866	\$ 9,225,900		\$ 82,041	0.9%

Indirect costs by category are intentionally not shown. Categories of indirect costs shown are from the updated indirect cost analysis conducted in the winter of 2012 for the FY14 budget and represent a re-definition of indirect cost categories from those used in prior fiscal years. Consequently, only the bottom lines are comparable across fiscal years.

RECOMMENDED FY2014 WATER RATES

	FY14 Budget	FY13 Actual	FY12 Actual	FY11 Actual	FY10 Actual	FY09 Actual	FY08 Actual
Water Budget	\$ 8,696,792	\$ 8,148,142	\$ 8,039,413	\$ 7,708,169	\$ 7,361,297	\$ 7,307,980	\$ 6,642,706
Estimated Non-Rate Revenue	\$ (283,000)	\$ (223,000)	\$ (265,100)	\$ (218,680)	\$ (256,000)	\$ (204,000)	\$ (164,010)
Use of Retained Earnings	\$ (500,000)	\$ (350,000)	\$ (650,000)	\$ (450,000)	\$ (525,000)	\$ (463,046)	\$ (362,570)
Net Revenue to be Raised from Water Charges	\$ 7,913,792	\$ 7,575,142	\$ 7,124,313	\$ 7,039,489	\$ 6,580,297	\$ 6,640,934	\$ 6,116,126

FY2013 RATES	a	b	c	d	e	f
	Block	Block Range (HCF)	Block as % of Subtotal	Estimated Consumption (HCF)	Rate/HCF	
	residential /commercial / industrial	block 1	0-40	68.8%	668,000	\$3.20
	residential /commercial / industrial	block 2	41-80	12.1%	110,000	\$4.80
	residential /commercial / industrial	block 3	80+	19.1%	200,000	\$6.33
	Subtotal				978,000	
	irrigation	all @ block 3 rate			236,323	\$6.33
	municipal	flat rate			16,034	\$2.27
	Hanscom/Linc. Labs	flat rate			244,111	\$4.72
	VA Hospital	flat rate			32,872	\$5.64
	Bedford-water	flat rate			587,159	\$2.29
	Subtotal				1,116,498	
	Total				2,094,498	

PROPOSED FY2014 RATES				Block as % of Total Residential	Estimated Consumption	Rate/HCF	Revenue	% Rate Increase
	residential /commercial / industrial	block 1	0-40	68.3%	668,000	\$ 3.37	\$ 2,251,807	5.2%
	residential /commercial / industrial	block 2	41-80	11.2%	110,000	\$ 5.05	\$ 555,526	5.2%
	residential /commercial / industrial	block 3	80+	20.4%	200,000	\$ 6.65	\$ 1,330,973	5.2%
	Subtotal				978,000		\$ 4,138,306	
	irrigation	all @ block 3 rate			230,000	\$ 6.65	\$ 1,530,619	5.2%
	municipal	flat rate			17,000	\$ 2.34	\$ 39,780	3.1%
	Hanscom/Linc. Labs	flat rate			235,000	\$ 4.84	1,136,638	5.2%
	VA Hospital	flat rate			33,768	\$ 5.93	\$ 200,184	5.2%
	Bedford-water	flat rate			543,616	\$ 2.36	\$ 1,284,781	3.1%
	Subtotal				1,059,384			
	Total				2,037,384		8,330,307	
Estimated Gross Water Charges							\$ 8,330,307	
Collection Rate								95%
Estimated Net Revenue							\$ 7,913,792	
revenue target							\$ 7,913,792	
difference							\$ 0	

RECOMMENDED FY2014 WASTEWATER RATES

	FY14 Budget	FY13 Actual	FY12 Actual	FY11 Actual	FY10 Actual	FY09 Actual	FY08 Actual
Wastewater Budget	\$ 9,225,900	\$ 9,143,859	\$ 8,934,624	\$ 8,333,118	\$ 8,166,879	\$ 7,777,145	\$ 7,526,159
Estimated Non-Rate	\$ (320,300)	\$ (294,400)	\$ (362,900)	\$ (278,000)	\$ (300,000)	\$ (200,000)	\$ (118,500)
Use of Retained Earnings	\$ (100,000)	\$ (150,000)	\$ (300,000)	\$ (400,000)	\$ (625,000)	\$ -	\$ -
Net Revenue to be Raised from Wastewater Charges	\$ 8,805,600	\$ 8,699,459	\$ 8,271,724	\$ 7,655,118	\$ 7,241,879	\$ 7,577,145	\$ 7,407,659

	a	b	c	d	e	d
FY2013 RATES	Block	Block Range (HCF)	Block as % of Subtotal	Estimated Consumption (HCF)	Rate/HCF	
	residential /commercial / industrial	block 1	0-40	69.6%	650,000	\$6.94
	residential /commercial / industrial	block 2	41-80	12.0%	105,000	\$11.34
	residential /commercial / industrial	block 3	80+	18.5%	190,000	\$18.02
	municipal	flat rate			13,000	\$2.38
	total				958,000	

PROPOSED FY2014 RATES	Block	Block Range (HCF)	Block as % of All Blocks	Estimated Consumption (HCF)	2.0907	Revenue	% Rate Increase
	residential /commercial / industrial	block 1	68.8%	650,000	\$ 7.02	\$ 4,565,528	1.2%
	residential /commercial / industrial	block 2	11.1%	105,000	\$ 11.48	\$ 1,205,047	1.2%
	residential /commercial / industrial	block 3	20.1%	190,000	\$ 18.23	\$ 3,464,028	1.2%
	municipal	flat rate		13,000	\$ 2.65	\$ 34,450	11.3%
	total			958,000		\$ 9,269,053	

estimated gross revenue	\$ 9,269,053
collection rate	95%
estimated net revenue	\$ 8,805,601
revenue target	\$ 8,805,600
difference of estimated net revenue to revenue target	\$ 0

**COMBINED WATER/WASTEWATER BILL - LOW,
AVERAGE AND HIGH USERS: IMPACT OF PROPOSED
RATE CHANGES**

50 HCF (low user)		
	FY13 Cost	FY14 Proposed
Water	\$ 160.00	\$ 168.50
Wastewater	\$ 347.00	\$ 351.00
Combined	\$ 507.00	\$ 519.50
\$ Change from FY13		\$ 12.50
% Change from FY13		2.5%

120 HCF (average user)		
	FY13 Cost	FY14 Proposed
Water	\$ 448.00	\$ 471.60
Wastewater	\$ 1,008.80	\$ 1,020.80
Combined	\$ 1,456.80	\$ 1,492.40
\$ Change from FY13		\$ 35.60
% Change from FY13		2.4%

240 HCF (high user)		
	FY13 Cost	FY14 Proposed
Water	\$ 1,146.40	\$ 1,205.60
Wastewater	\$ 2,904.00	\$ 2,938.40
Combined	\$ 4,050.40	\$ 4,144.00
\$ Change from FY13		\$ 93.60
% Change from FY13		2.3%

1000 HCF		
	FY13 Cost	FY14 Proposed
Water	\$ 5,957	\$ 6,260
Wastewater	\$ 16,599	\$ 16,793
Combined	\$ 22,556	\$ 23,053
\$ Change from FY13		\$ 496
% Change from FY13		2.2%

RETAINED EARNINGS HISTORY

	Certified as of 6/30/2006	Certified as of 6/30/2007	Certified as of 6/30/2008	Certified as of 6/30/2009	Certified as of 6/30/2010	Certified as of 6/30/2011	Certified as of 6/30/2012	Projected Certification as of 6/30/13 ¹
WATER	\$ 2,090,334	\$ 2,496,655	\$ 2,537,249	\$ 2,113,729	\$ 1,622,052	\$ 1,952,253	\$ 2,066,566	\$ 2,300,000
SEWER	\$ 447,441	\$ 2,137,540	\$ 2,763,179	\$ 1,831,967	\$ 1,525,612	\$ 1,168,190	\$ 1,310,716	\$ 1,900,000

¹ Contributing to the projected 6/30/13 certification of water retained earnings is FY13 usage by Bedford in excess of estimates attributable to its aggressive flushing program in the summer of 2012 to remediate contamination in some parts of the Bedford water system, which resulted in payments from Bedford being approximately \$210,000 greater than projections.

Combined Annual Water and Sewer Charges for Communities Receiving Services from the MWRA 2012

Charges include MWRA, community, and alternatively supplied services.
Rates based on average annual household use of 120 hundred cubic feet (HCF), or approximately 90,000 gallons.

	Water	Date of Last Water Adjustment	Sewer	Date of Last Sewer Adjustment	Combined	Change
Arlington (W/S)*	\$593.82	July 2012	\$583.20	July 2012	\$1,177.02	7.3%
Ashland (S)	\$484.00	May 2012	\$1,912.00	May 2012	\$2,396.00	35.3%
Bedford (S/partial W)	\$459.00	July 2012	\$953.00	July 2012	\$1,412.00	0.0%
Belmont (W/S)	\$724.28	July 2012	\$1,347.04	July 2012	\$2,071.32	4.6%
Boston (W/S)	\$524.08	Jan. 2012	\$674.05	Jan. 2012	\$1,198.12	6.2%
Braintree (S)	\$428.00	June 2012	\$642.80	June 2012	\$1,070.80	7.8%
Brookline (W/S)	\$600.20	July 2012	\$895.40	July 2012	\$1,495.60	5.2%
Burlington (S)	\$181.50	Nov. 2012	\$371.50	Nov. 2012	\$553.00	0.0%
Cambridge (S/partial W)	\$380.00	April 2012	\$980.00	April 2012	\$1,360.00	0.0%
Canton (S/partial W)	\$647.20	July 2011	\$832.40	July 2012	\$1,479.60	2.3%
Chelsea (W/S)	\$492.00	Jan. 2012	\$963.60	Jan. 2011	\$1,455.60	0.0%
Chicopee (W)	\$348.00	July 2012	\$650.75	July 2011	\$998.75	2.5%
Clinton (W/S)	\$343.60	June 2007	\$257.70	June 2007	\$601.30	0.0%
Dedham (S/partial W)	\$592.44	Jan. 2011	\$937.28	June 2008	\$1,529.72	0.0%
Everett (W/S)	\$229.20	July 2012	\$625.20	July 2012	\$854.40	26.7%
Framingham (W/S)	\$568.80	July 2012	\$678.36	July 2012	\$1,247.16	2.8%
Hingham (S)	\$939.68	Nov. 2012	\$1,128.00	June 2012	\$2,067.68	3.8%
Holbrook (S)	\$620.40	April 2011	\$726.00	April 2011	\$1,346.40	0.0%
Leominster (partial W)	\$455.84	April 2012	\$485.00	April 2012	\$940.84	23.1%
Lexington (W/S)	\$448.00	Oct. 2012	\$1,008.80	Oct. 2012	\$1,456.80	3.5%
Lynn (partial W)	\$400.80	July 2010	\$736.92	July 2010	\$1,137.72	0.0%
Malden (W/S)	\$588.00	Aug. 2012	\$635.52	Aug. 2012	\$1,223.52	9.8%
Marblehead (W)	\$549.00	July 2012	\$774.00	July 2012	\$1,323.00	3.9%
Marlborough (partial W)	\$609.60	Dec. 2011	\$628.80	Dec. 2011	\$1,238.40	0.0%
Medford (W/S)	\$637.20	July 2010	\$912.00	July 2010	\$1,549.20	0.0%
Melrose (W/S)	\$690.00	Aug. 2012	\$1,069.20	Aug. 2012	\$1,759.20	7.3%
Milton (W/S)	\$655.68	Aug. 2012	\$1,231.68	Aug. 2012	\$1,887.36	6.2%
Nahant (W)*	\$688.80	July 2012	\$1,071.60	July 2012	\$1,760.40	0.0%
Natick (S)	\$316.00	July 2012	\$951.20	July 2012	\$1,267.20	0.0%
Needham (S/partial W)	\$483.00	July 2010	\$997.80	July 2010	\$1,480.80	0.0%
Newton (W/S)	\$719.20	July 2012	\$1,060.00	July 2012	\$1,779.20	3.9%
Northborough (partial W)	\$547.08	July 2010	\$632.60	July 2010	\$1,179.68	0.0%
Norwood (W/S)	\$523.92	July 2012	\$690.48	July 2012	\$1,214.40	4.5%
Peabody (partial W)	\$306.00	Mar. 2003	\$409.80	Mar. 2003	\$715.80	0.0%
Quincy (W/S)	\$608.40	July 2012	\$999.60	July 2012	\$1,608.00	7.7%
Randolph (S)	\$475.60	Aug. 2012	\$813.00	Aug. 2012	\$1,288.60	4.1%
Reading (W/S)	\$1,075.20	Sept. 2012	\$1,176.00	Sept. 2012	\$2,251.20	11.4%
Revere (W/S)	\$386.40	July 2012	\$1,206.00	July 2012	\$1,592.40	0.0%
Saugus (W)	\$513.20	July 2011	\$344.00	Nov. 2007	\$857.20	0.0%
Somerville (W/S)	\$564.00	July 2011	\$864.48	July 2011	\$1,428.48	0.0%
Stoneham (W/S)	\$552.00	July 2012	\$1,080.00	July 2012	\$1,632.00	1.5%
Stoughton (S/partial W)	\$491.64	Aug. 2011	\$1,117.20	Aug. 2011	\$1,608.84	0.0%
Swampscott (W)	\$812.00	July 2012	\$707.00	July 2012	\$1,519.00	5.1%
Wakefield (S/partial W)	\$577.80	June 2012	\$1,080.00	June 2012	\$1,657.80	3.2%
Walpole (S)	\$567.84	July 2012	\$757.63	July 2012	\$1,325.47	3.9%
Waltham (W/S)	\$428.64	Jan. 2012	\$753.00	Jan. 2012	\$1,181.64	1.4%
Watertown (W/S)	\$479.32	July 2012	\$913.20	July 2012	\$1,392.52	5.0%
Wellesley (S/partial W)	\$445.68	July 2011	\$940.80	July 2010	\$1,386.48	0.0%
Westwood (S/partial W)	\$592.44	Jan. 2011	\$748.00	Sept. 2011	\$1,340.44	0.0%
Weymouth (S)	\$608.88	July 2011	\$920.84	July 2011	\$1,529.72	0.0%
Wilbraham (W)	\$414.00	April 2012	\$492.00	Oct. 2008	\$906.00	1.3%
Wilmington (S/partial W)	\$449.60	Sept. 2008	\$598.80	April 2010	\$1,048.40	0.0%
Winchester (S/partial W)*	\$275.60	Nov. 2006	\$313.20	Nov. 2006	\$588.80	0.0%
Winthrop (W/S)	\$598.80	July 2012	\$998.40	July 2012	\$1,597.20	0.0%
Woburn (S/partial W)	\$205.00	Jan. 2010	\$328.00	Jan. 2010	\$533.00	0.0%
Worcester (partial W)	\$397.20	July 2012	\$529.92	July 2012	\$927.12	2.1%

AVERAGE	\$523.10		\$823.83		\$1,346.93	3.9%
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(*) Indicates communities that utilize the debt service exclusion as permitted under General Law 59 Section 21C(n).