



BOARD OF WATER COMMISSIONERS

Cotuit Fire District

Water Department

4300 FALMOUTH ROAD, P. O. BOX 451

COTUIT, MASS. 02635

March 26, 2019

Frequently Asked Questions regarding the Cotuit Water Department's proposed water rate increase starting in FY2020 and fully implemented in FY2021

How is the Water Department funded now?

The Department currently has five full-time staff positions (one vacant), overseeing 53 miles of water main pipelines, five pumping wells, 279 acres of forested wellfield property, two water towers (built in the past ten years), and an office and lime batching facility on Route 28. The annual expenses are approximately \$1,187,000 for FY2019 (current).

Most of the Department's expenses are paid for based on the revenues generated by Cotuit Fire District's property tax, voted on each year by the District taxpayers. About 40% of our expenses are currently paid for by the water rates (based on usage) and base fees from each of our 2,329 accounts, mostly single family dwellings. Additional smaller sources of revenue include service fees, cellphone antenna leases, and energy credits.

What are the water rates now?

Cotuit's water rates are much lower than comparable water supply districts on the Cape. Currently, the department charges \$36 annually in a base fee and usage rates ranging from \$36 to \$170 for most, residential users. Almost two-thirds of our accounts pay less than \$200 per year in total base and use fees now for up to 80,000 gallons of water.

The Water Commissioners set the rates in 1991 and restructured them last in 2005.

What are the proposed increases?

The base fee would rise from \$36 per year to \$100 per year, including an \$80 annual minimum use base fee plus a \$20 annual meter charge. The meter fees would be placed into a proposed dedicated stabilization fund to provide the Department with the ability to fund emergencies and infrastructure and wellfield property management outside the annual budget cycle.

The rates for water use would rise in a graduated-step manner. As is done now, heavy users would pay more for the extra water (we have one account that uses more than 1.1 million gallons per year). For 80,000 gallons per year, a ratepayer would pay \$412 per year (includes \$100 base fee). For 40,000 gallons per year, a ratepayer would pay \$186 per year (includes \$100 base fee).

Why is there a need for the water rates to increase?

The Prudential Committee of the Cotuit Fire District (the "finance committee") has urged the Water Commission to be more self-sufficient in its funding and less reliant on District tax revenues. Likewise, the Massachusetts Department of Environmental Protection (MassDEP), which oversees public water suppliers, has guidelines and policies encouraging self-funding for operations and maintenance costs, debt services, and capital expenses for meeting future needs of

the Water Department.¹ We have had many capital projects funded in recent years (two new water towers, security systems, chemical safety monitoring systems), primarily by bonds being paid off by the District. More stable funding for the Water Department can improve our bond rating. We also feel that our rates should be more in line with other comparable water suppliers on the Cape. Finally, we feel that heavy users should pay extra, which may also encourage water conservation.

How were the proposed rates determined?

In 2017-18 our long-time consultants at Tata and Howard, Inc. were commissioned to study our budget, provide a comparative analysis of similar suppliers, and suggest rate scenarios to make the Water Department self-funding over the next five years. The topic was discussed at the Commission meetings on September 12, 2018 and January 16, 2019 and a public workshop is scheduled on April 16, 2019 with the Cotuit-Santuit Civic Association.

While the District voters set the budgets, the elected Cotuit Water Commission sets the water rates. The Water Commissioners plan a multi-faceted public education program in Spring 2019 to explain the proposed changes before its final vote. The program is outlined in the insert in the March 2019 water bills mailed to each household. The information is also available on the district website at www.cotuitfiredistrict.org/waterdepartment.

If the water rates go up, will my district taxes go down?

The Prudential Committee recommends the overall District budget as voted on by the District voters (taxpayers). While there may be a lag, it is reasonable to conclude that the voters will want to offset the increase in water rates with a reduction in District taxes.

How do the proposed rates compare with comparable water suppliers on the Cape?

The Centerville-Osterville-Marstons Mills District has an average annual user cost (base fee and usage charges) that is 27% higher than Cotuit's current cost. The Barnstable District (Barnstable Village) is 170% higher and the Hyannis Water System is 188% higher than Cotuit. Districts in Mashpee, Eastham and Harwich, also selected for study in 2018 by Tata & Howard, also had much higher rates than Cotuit's existing rates.

How can Cotuit ratepayers absorb this high increase?

We plan to phase in the new rates over a two-year period in order to prevent "sticker shock," depending on the advice we obtain through the public process. We also do not expect to revisit the rates for five years. We will also explore reductions for financial hardship, as the Town does for municipal property taxes. Finally, we would expect the District tax rates to be lowered as a result of this water rate increase.

¹ Pricing

1. Establish a water revenue structure that covers the full cost of the PWS (Public Water Supply) including operations, maintenance, capital improvements, water conservation activities, and indirect costs (such as environmental impacts and watershed protection). Evaluate revenues every three to five years and adjust rates as needed.

2. Decreasing block rates are not allowed by M.G.L. Chapter 40, Section 39L. Increasing block rates are strongly recommended.

Source: MassDEP, Water Management Act Guidance, Section 5 (2014), p. 15

I do use a lot of water, mostly for yard irrigation. If I put in a private irrigation well on my property, wouldn't that save me a lot of money under the new rates for heavy use?

Sure, you can do that. While it should help you save on the proposed new higher rates, you would have to factor in the cost of well installation and a piping system, electricity for the pump, and maintenance.

How do I determine how much more I will be paying in water rates compared to last year?

Water bills are currently mailed twice a year, once in March (base fee) and once in November (actual usage bill). Your November 2018 bill will show you how many gallons you used in the past year. (A copy of the bill can be obtained by emailing the department at cotuitwd@verizon.net.)

Proposed rate increases will be phased in starting in FY20 on July 1, 2019 with the implementation of the new base fee and half of the proposed rate increase for actual water usage. A second increase in the rates for water usage to fully implement the necessary rate changes will be implemented in FY21 starting on July 1, 2020. The costs for water at the current rates and at the fully implemented rate increases as of FY21 on July 1, 2020 are shown below for your comparison.

Last year's usage	Current Rates	Proposed Rates (FY21 or July 1, 2020)
<u>I used:</u>	<u>I paid:</u>	<u>I would pay:</u>
Less than 10,000 gallons	\$36	less than \$100
Less than 20,000 gallons	\$36	less than \$108
Less than 40,000 gallons	less than \$72	less than \$186
Less than 80,000 gallons	less than \$170	less than \$412
Less than 120,000 gallons	less than \$278	less than \$701
Less than 200,000 gallons	less than \$518	less than \$1,391
Less than 500,000 gallons	less than \$1,418	less than \$4,280

Under the current rate structure, each ratepayer pays a \$36 annual base fee. This includes the first 20,000 gallons of water usage.

Under the proposed rate structure, each ratepayer would pay a \$100 annual base fee, including an \$80 annual minimum use base fee plus a \$20 annual meter charge. The annual base fee would be billed twice a year in \$50 increments. This base fee would include the first 10,000 gallons of water usage for each semi-annual bill.

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Cotuit Water Commissioners

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