



Thomas G. Ambrosino
City Manager

City of Chelsea
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July 13, 2016

The Honorable Chelsea City Council
Chelsea City Hall
500 Broadway
Chelsea, Massachusetts 02150

Re: *Rate Increases*

Dear Councilors:

I am writing to inform you of Water, Sewer and Trash rate increases that were approved last night following a public hearing. The rates are effective as of July 1, 2016. The new fee schedules are attached.

Water Rate

The new water rates are \$4.69 per hundred cubic feet ("HCF") for Tier 1 (1-1,000 per month in cubic feet), \$5.71 for Tier 2 (1,001-2,500 monthly cubic feet), and \$6.83 for Tier 3 (over 2,500 monthly cubic feet). These water rates represent a 10% increase over current rates.

I recognize that a 10% increase is significant. But, the reason is straightforward. The goal in an Enterprise Fund System is at least to break even. That was not the case in FY16. Because the City did not raise its Water Rates for FY16, we did not have sufficient funds to cover our water system costs. Although not all numbers are final, we expect to end FY16 with a deficit in excess of \$600,000 in our Water Enterprise System. We simply cannot absorb that kind of a deficit on an annual basis. Even with the 10% increase in rates, we estimate that we will probably end FY17 with a slight deficit. But, that will be significantly better than our experience in FY16. And, I did not want to increase rates above 10% in any one year. In the future, to avoid large spikes in rates, I intend to seek more modest rate increases each and every July.

Sewer Rate

The new sewer rates are \$8.27 per hundred cubic feet ("HCF") for Tier 1 (1-1,000 per month in cubic feet), \$9.02 for Tier 2 (1,001-2,500 monthly cubic feet), and \$10.36 for Tier 3 (over 2,500 monthly cubic feet). These new sewer water rates represent an increase of just 2%. Last year, we had a small deficit in the Sewer Enterprise Fund. With this modest increase, I expect we should come close to breaking even in FY17.

Combined Rate

For residential customers who use under 1,000 cubic feet per month and pay Tier 1 rates, the new combined water and sewer rate is \$12.96, an increase of 4.76%. The MWRA estimates that the average family uses 90,000 gallons or 120 HCF per year. Using this 120 HCF figure, the average annual water

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and sewer bill in Chelsea for FY17 will be \$1,555.20. That is an increase of \$70.80 annually over the cost in FY16. This average water and sewer bill for Chelsea remains quite close to the average bill in all MWRA communities.

Senior Discount

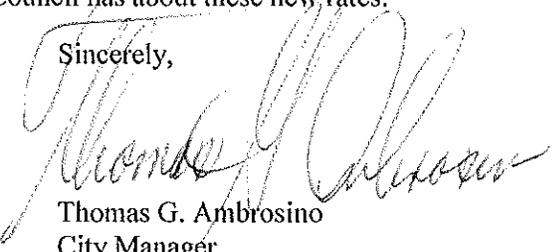
Please note that, at the request of the City Council, the City will be adopting a modest Senior Discount for water and sewer bills. After careful review as requested by the City Council., I have decided to adopt a 10 % discount for any senior 65 years or older who owns and occupies his/her own home in Chelsea and receives an individual water bill. The discount will apply only to the owner's unit. Although the final details are yet to be concluded, I anticipate that the discount will appear as a credit on the January bill reflecting a 10% discount on billings for the previous Calendar Year.

Trash Rate

The new trash rate is \$24.86 monthly for residential property and \$117.32 monthly for commercial units in mixed buildings. Owner occupied units continue to be exempt from this fee. The new charges represent an increase of 5%. The increase is necessary because our trash costs have increased by more than 11% over last year. Much of that increase is attributable to the new and more expensive solid waste disposal contract with our vendor Russell. Because we ran a surplus in FY16, a rate increase of 5% should allow us to break even in FY17. Please note that this is the first trash increase since FY15. Again, it is my intent to raise trash rates modestly each and every July in order to smooth out the rate increases and avoid large spikes in any one year.

I am available to answer any questions the Council has about these new rates.

Sincerely,



Thomas G. Ambrosino
City Manager

Attachments

Cc: Deputy City Manager Ned Keefe
DPW Director Joe Foti
Treasurer Bob Boulrice