

COMMONWEALTH OF MASSACHUSETTS

CITY OF LOWELL

In City Council

ORDINANCE

An Ordinance Amending the Code of Ordinances City of Lowell, Massachusetts, with respect to Chapter 272, Article VI §272-86 entitled "Metered Service Water".

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It is necessary to amend §272-86 entitled "Metered Service Water " with respect to fees.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOWELL, as follows:

"The Code of Ordinances of the City of Lowell, Massachusetts", adopted by the City Council on December 23, 2008, as amended, is hereby further amended, with respect to Chapter 272 entitled "Water and Sewers", as follows:

**§272-86 Metered Service Water** is hereby amended as follows:

By deleting the rate schedule listed and substituting the following rates, effective July 1, 2018:

A. Regular Rates.

1. Effective for bills issued after July 1, 2018, all metered service for water use shall be charged in accordance with the following rate schedule based on volume of water use on a quarterly basis:

Number of hundred cubic <u>feet per quarter</u>	Rate per hundred cubic <u>feet per quarter</u>
0 – 50 (min. 14 hcf)	2.138
51 – 100	2.525
101 – 200	2.565
201 – 500	2.603
Over 500	2.623

2. Usage is as recorded on the meters in each building served with water by the Lowell Regional Water Utility in which a meter is installed. On such premises where meters record a quarterly consumption of less than 1,400 cubic feet of water, there shall be charged a minimum amount of \$29.93 per quarter, per meter.

B. Single-family rates.

1. Single-family units shall be charged at the rate set forth in Subsection A hereof.
2. For single-family units where the elderly rates under Subsection C hereof are not applicable and where meters record a quarterly consumption of less than 1,400 cubic feet of water, there shall be charged a minimum amount of \$29.93 per quarter, per meter.

C. Elderly Discount

1. Notwithstanding Subsections A and B above, for single-family units in which an owner of record who actually resides in the premises is age 65 years or older, the following rate schedule shall apply, based on the volume of water use on a quarterly basis:

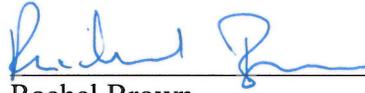
<u>Number of hundred cubic feet per quarter</u>	<u>Rate per hundred cubic feet per quarter</u>
0 – 50 (min. 14 hcf)	1.069
51 – 100	2.138
101 – 200	2.525
201 – 500	2.603
Over 500	2.623

2. Proof of age, ownership and residence shall be required to be established by the owner to the satisfaction of the Water Department, annually, as of January 1 of each year, on forms to be furnished by that Department.

- D. Any charge for trash/recycling or water or sewer use due to the City which is not paid in full by the due date on the bill rendered therefor shall bear interest on any unpaid balance at the rate of 14% per annum, in accordance with Chapter 28, § 28-12 of this Code, provided that in any case where said charge has been abated by order of the Executive Director of Lowell Regional Water Utility or the Water Board pursuant to Article VII or VIII of this chapter, the Executive Director and Board shall have the power to stay and/or waive any such interest for a commensurate amount. Further, the Board and/or Executive Director of the Lowell Regional Water Utility may abate or adjust in whole or in part interest on a recalculated water bill.

This Ordinance shall take effect upon its passage in accordance with the provisions of Chapter 43 of the General Laws of the Commonwealth of Massachusetts, as amended, but as specified herein, the rate provisions become effective and July 1, 2018.

APPROVED AS TO FORM:



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Rachel Brown  
First Assistant City Solicitor



Conor Baldwin  
Chief Financial Officer

Heather Varney  
Deputy CFO

## MEMORANDUM

**TO:** Eileen Donoghue, City Manager  
**FROM:** Conor Baldwin, Chief Financial Officer  
**CC:** Heather Varney, Deputy CFO  
**DATE:** May 23, 2018  
**RE:** FY19 Water Rate

As we make final preparations for the FY2019 budgets for the General Fund and the city's Enterprise Funds, we have again adjusted our forecast models for the Water Enterprise to incorporate the oncoming debt service and other rising fixed costs. Based on the FY2019 budgeted expenses and the projected expenses within our five-year outlook, without an increase to rates, the healthy balance that has built up in the fund will quickly diminish. To date, the fund has been able to sustain the expenses based largely on increased revenue from the installation of more accurate meter reading hardware and various energy initiatives, such as the installation of solar panels at the utility and the allocation of net metering credits, both of which have reduced the cost to the enterprise for electricity. A further benefit to the fund has been revenue from the sale of solar renewable energy credits (SREC), which has provided an additional revenue stream other than local usage.

Despite this success, the city must look to the future and take proactive fiscal measures to avoid the need to drastically raise rates in any one single year. According to the most recent Tighe & Bond survey, which compiles water rates and average annual costs for all communities in Massachusetts, Lowell has one of the lowest water rates in the Commonwealth. Several capital projects to replace and repair the city's ageing water infrastructure are in the construction phase, under a \$22.8 million loan order authorized by the City Council in 2013. The city has been able to take advantage of low-interest financing through the Massachusetts Clean Water Trust (MCWT) on a portion of the projects under this loan order, but the entire scope of work to be funded by the loan order will not be eligible for funding by the MCWT.

The debt service for the projects ineligible for funding with the MCWT will begin to reduce the fund balance in the coming years. However with a strategy of gradual revenue growth coupled with cost savings initiatives in the utility's operation, the enterprise will be sustainable for many years to come.

Please let me know if you have further questions.



Eileen M. Donoghue  
City Manager

May 23, 2018

Mayor William J. Samaras  
And  
Members of the Lowell City Council

Dear Mayor Samaras and Members of the Lowell City Council,

In 2013, the City Council approved a \$22.8 million loan authorization financed by the Water Enterprise Fund in order to fund capital expenses including new construction and replacement of water main and appurtenances, meter replacement, treatment plant improvements including residual handling capabilities, and dam and reservoir improvements. These improvements were critical in system redundancy, but also resulted in the funding necessary to deploy new meters in commercial and residential accounts which more accurately accounted for the usage of water supplied by the Lowell Regional Water Utility (LRWU).

These projects, along with others to install solar panels at the LRWU, have kept the fund balance at a healthy level for many years. Revenues have increased due to a better accounting of usage. It has been almost eight years since the last time the City Council needed to amend the water rate. While the fund continues to perform well, the additional debt service associated with ongoing construction to replace ageing infrastructure will soon hit the water budget. The city continues to work with the Massachusetts Clean Water Trust (MCWT) to pursue low-interest financing on eligible water projects. Projects accepted by the MCWT to be financed through their loan pools benefit from low interest rates and bear the potential of loan forgiveness if funds are appropriated by the Commonwealth. However, now that the water fund has realized its full revenue potential, the ability to raise revenue without amending rates has concluded. The proposed amendment is extremely modest and, the timing is such that the additional debt service can be incorporated—over time—without over burdening the users.

The true purpose of enterprise accounting is such that the users pay for the costs of the service in a way that is proportional to their usage. This method is far more fair and equitable than the alternative: for the cost of the water operation to be borne by all taxpayers uniformly. By employing enterprise fund accounting, the rates are set commensurate with the operation and the city can be sure that entities which pay for utilities like water and sewer, but are exempt from taxes under state law are not paying their fair share.



Eileen M. Donoghue  
City Manager

Attached please find a vote to amend the water rate for FY19. The change in rate is detailed in the table below:

Number of Hundred Cubic Feet Per Quarter	Current Rate Per Hundred Cubic Feet Per Quarter	New Rate Per Hundred Cubic Feet Per Quarter
0 – 50 (min. 14 hcf)	2.076	2.138
51-100	2.451	2.525
101-200	2.490	2.565
201-500	2.527	2.603
Over 500	2.547	2.623

\* This represents an increase of \$1.87 per quarterly bill for the median user.

Sincerely,

Eileen M. Donoghue  
City Manager