



Acting Mayor Terry Murphy

Michael P. McManus, Superintendent

City of Holyoke

Department of Public Works

To: City Council
From: Michael McManus
Date: June 11, 2021
RE: Sewer Rate Recommendation

This memorandum provides a summary of projected expenses for the current and future fiscal years, and the projected revenue from various sewer rates. All revenues shown assume that there is no minimum charge. Actual revenue and expenses may vary year to year based on actual consumption. DPW recommends the following changes be made:

- Increase the Sewer Rate to \$8.05/1,000 gallons with no minimum payment (a \$1.40/1,000 gallons increase)

Summary

The following table provides a summary of Sewer Enterprise Fund expenses and revenues for FY'22.

<u>Sewer Fund Expenses</u>	
Personnel Services	\$136,395
Service Contract	\$7,100,000
Misc. Expenses	\$305,152
Debt Service	\$1,508,538
Total Expenses	\$9,050,085
<u>Sewer Fund Revenue</u>	
Industrial Billing	\$1,100,000
Total for Sewer Rate	\$7,950,085
Budgeted Sewer Usage	1,100,000,000
Breakeven Sewer Rate at 100% Collection	\$7.23 per 1,000 gallons
Breakeven Sewer Rate at 93% Collection	\$7.77 per 1,000 gallons
Recommendation	\$8.05 per 1,000 gallons
Estimated FY'22 Enterprise Fund Balance	\$285,065

Sewer Fund Expenses

The following table provides a summary of projected expenses for the next fiscal year and the following four fiscal years. The increase in long term debt payments in FY '23 is due to the Jackson Street Sewer Separation Project, which will be complete in FY '22 and repayment will begin in FY '23.

	FY22	FY23	FY24	FY25	FY26
Long Term Debt Payment	1,508,538.00	1,898,237.78	1,877,388.29	1,856,669.76	1,831,455.59
Wastewater Treatment Cost	7,101,187.00	7,243,210.74	7,388,074.95	7,535,836.45	7,686,553.18
Administrative and Other Expense	440,360.00	449,167.20	458,150.54	467,313.55	476,659.83
Subtotal Expenses	9,050,085.00	9,590,615.72	9,723,613.79	9,859,819.77	9,994,668.60
Industrial User Revenue	1,100,000.00	1,122,000.00	1,144,440.00	1,167,328.80	1,190,675.38
Total Expense for Sewer Rate	7,950,085.00	8,468,615.72	8,579,173.79	8,692,490.97	8,803,993.22

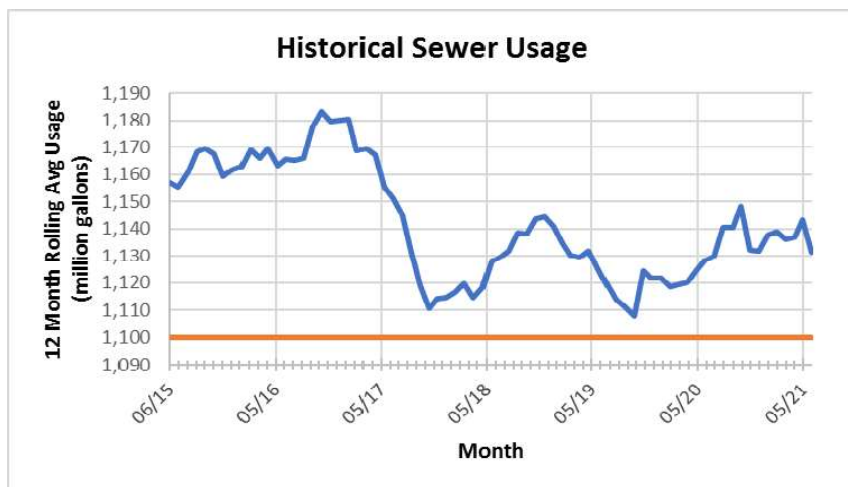
Historical Industrial Billing

Sonoco is the only large industrial sewer user remaining in the City. Their bill is calculated based on the ratio of the wastewater flows and loads from Sonoco to the wastewater flows and loads of the City. A conservative estimate of \$1.1M was used for industrial billing as part of the sewer rate calculation.

Fiscal Year	Sonoco Billing
2017	\$1,152,672.60
2018	\$1,159,161.89
2019	\$1,366,054.05
2020	\$1,211,621.51
2021	\$1,410,646.82

Historical Sewer Usage

Sewer usage data is shown below in a graph of the 12-month rolling average usage. Sewer usage has been between 1.11 billion gallons and 1.15 billion gallons for the last few years. A conservative estimate of 1.10 billion gallons was used to calculate the sewer rate.



Sewer Rate Calculation

The breakeven sewer rate assuming 1.10 billion gallons of usage is \$7.23/1,000 gallons. Historically, DPW has had a collection rate of 93%, using that collection rate the breakeven sewer rate is \$7.77/1,000 gallons. DPW is recommending a rate of \$8.05/1,000 gallons to create a reserve within the Sewer Enterprise Fund.

Rate Payer Impact

There are approximately 7,560 accounts who receive a quarterly sewer bill. For the period of May 2020 through April 2021 the median usage was 14,655 gallons. This equates to a current sewer bill of \$97.46 per quarter (\$32.49 per month). At the proposed sewer rate of \$8.05 per 1,000 gallons the median sewer bill would be \$117.97 per quarter (\$39.32 per month).

Median Sewer Usage	14,655	gallons
Current Sewer Rate	\$6.65/1,000	gallons
Current Quarterly Bill	\$97.46	
Current Monthly Bill	\$32.49	
Proposed Sewer Rate	\$8.05/1,000	gallons
Proposed Quarterly Bill	\$117.97	
Proposed Monthly Bill	\$39.32	
Yearly Impact	\$82.07	
Quarterly Impact	\$20.52	
Monthly Impact	\$6.84	