

Town of Saugus FY 2023 Water Rates Update

The Abrahams Group

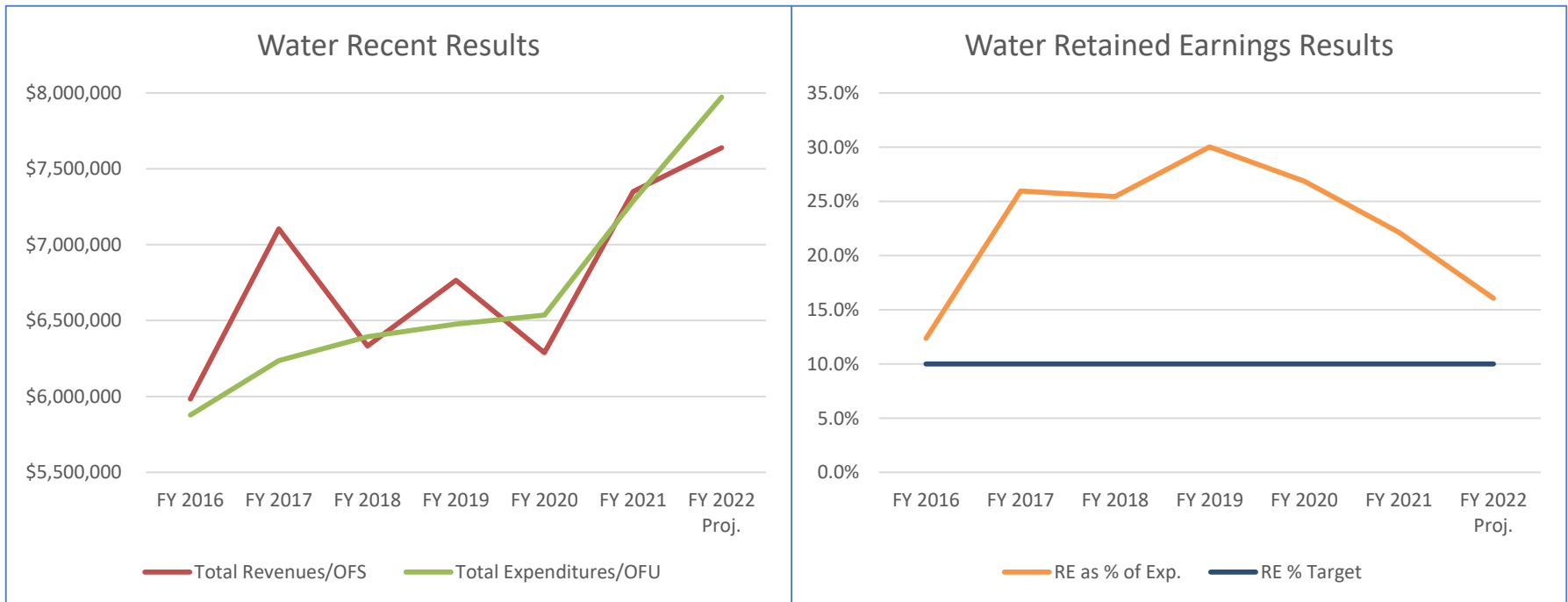
May 2022

Seven-Year Review

The following rate changes were implemented recently:

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Recommended	N/A	9.5%	2.5%	3.0%	1.5%	4.0%	2.5%
Voted	3.0%	9.5%	2.5%	3.0%	1.5%	0%	2.5%

The following graphs show recent financial results:



FY 2022 in Review

FY 2022 was impacted in the following ways:

- User charges revenue consistent from FY 2021 to FY 2022, impacted by rate change since outdoor water usage down
- Projected expenses up ~\$500,000 (or 7%) over FY 2021's
- \$612,000 in Retained Earnings used to balance the budget; projections show \$333,000 will be needed for deficit

- Financial results:

	Budget	Projected
Total Revenues/OFS	\$7,780,774	\$7,447,790
Total Expenditures/OFU	\$7,780,774	\$7,780,774
Surplus/(Deficit)	\$0	(\$332,984)

Table includes retained earnings appropriated, but not encumbrances from prior year.

FY 2022 in Review (Cont.)

	Recommended 2.5% Proj. FY22	Voted 2.5% Proj. FY22	Projected 2.5% Proj. FY22
Revenues	\$7,168,995	\$7,168,995	\$7,447,790
Retained Earnings Appropriated	\$611,779	\$611,779	\$611,779
Total Revenues and Available Funds	\$7,780,774	\$7,780,774	\$8,059,569
Total Expenditures	\$7,780,774	\$7,780,774	\$7,780,774
Surplus/(Deficit)	\$0	\$0	\$278,795
Prior year encumbrances not included in numbers in this table			
Retained Earnings Projections			
Retained Earnings at Start of FY22	\$1,612,947	\$1,612,947	\$1,612,947
Retained Earnings Appropriated	(\$611,779)	(\$611,779)	(\$611,779)
Surplus/(Deficit) for FY22	\$0	\$0	\$278,795
Retained Earnings at End of FY22	\$1,001,168	\$1,001,168	\$1,279,963
Retained Earnings as % of Budget	13.7%	13.7%	16.1%

Rate Study Objectives

Each year, the Town focuses on a five-year rate plan with objectives to:

- Target projected retained earnings balance of 10% to 15% of operating budget.
- Eliminate shortfalls, which require retained earnings to balance the operating budget.
- Increase rates so revenue from rates covers expenditures.
- Fund capital plan for infrastructure and equipment.

Capital Plan

The following projects and equipment are part of Town's five-year capital plan, to be funded via debt service.

- Water main replacements in FY 2023 and FY 2026
- Water meter replacement program in FY 2023
- Mini-excavator in FY 2024
- Replacement of dump truck in FY 2025
- Replacement of backhoe in FY 2026

Total projected debt service FY 2024 to FY 2027 for these projects/items: \$1.58 million

Rate-Setting Drivers

- Projected expenses % changes are shown here:

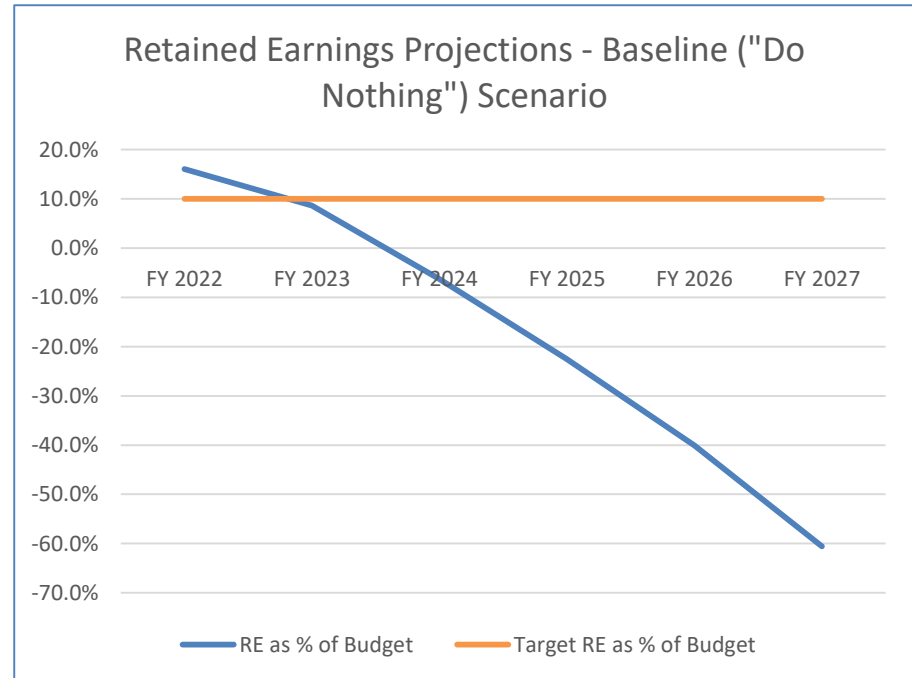
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Salaries	27.6%	-2.1%	2.5%	2.5%	2.5%
MWRA Assessment	2.8%	1.4%	3.9%	3.9%	3.9%
Debt	-6.3%	16.4%	9.7%	-12.7%	17.0%
Other Expenses	1.0%	2.1%	2.1%	2.1%	2.1%
Total Expenses	2.3%	3.4%	2.0%	1.9%	6.4%

- Notable Impacts:
 - Salaries increase in FY 2023 due to funding of positions as recommended in the Metering and Billing Assessment prepared by Weston & Sampson and sick leave buy back for one retiring employee
 - Impact of debt service related to capital plan significant over next few years

Where Are We Now?

Description	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027
Total Revenues and OFS	\$ 7,367,967	\$ 7,026,016	\$ 7,025,583	\$ 7,025,583	\$ 7,025,583
Total Expenditures and OFU	\$ 7,963,017	\$ 8,232,590	\$ 8,399,858	\$ 8,560,106	\$ 9,110,020
Excess (Deficiency)	\$ (595,050)	\$ (1,206,574)	\$ (1,374,276)	\$ (1,534,523)	\$ (2,084,438)
Retained Earnings Summary					
Projected RE at start of FY	\$ 1,279,963	\$ 684,913	\$ (521,661)	\$ (1,895,937)	\$ (3,430,460)
Current Year Surplus (Deficit)	\$ (595,050)	\$ (1,206,574)	\$ (1,374,276)	\$ (1,534,523)	\$ (2,084,438)
Projected Retained Earnings Balance	\$ 684,913	\$ (521,661)	\$ (1,895,937)	\$ (3,430,460)	\$ (5,514,898)
Retained Earnings % of Expenditures	8.6%	-6.3%	-22.6%	-40.1%	-60.5%

- Revenues shown with no rate change
- Retained Earnings last certified at \$1.61 million, as of July 1, 2021
- Due to \$333,000 FY 2022 projected deficit, retained earnings projected to decrease to < \$1.3 million at year-end
- Rate action necessary to avoid depleting retained earnings and to avoid shortfalls; without rate action, retained earnings will deplete by FY24

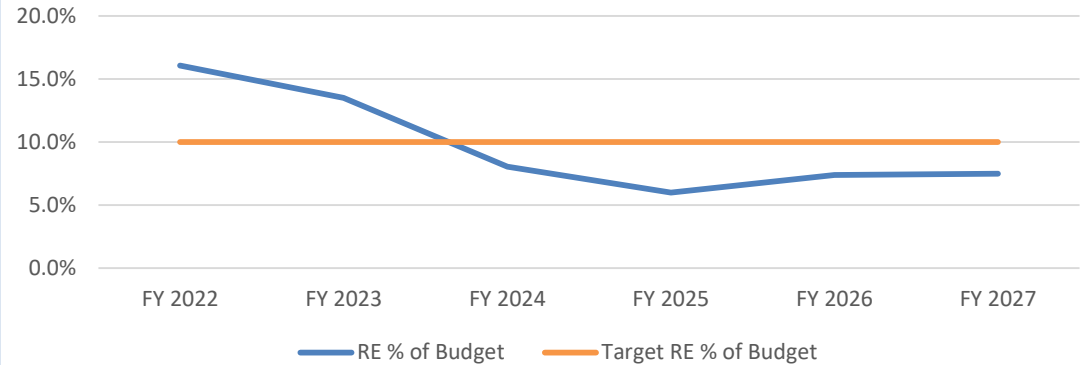


Rate Option 1 – 6.0% Increase in FY 2023

Five-Year Rate Plan

FY 2023	6.0%
FY 2024	5.5%
FY 2025	5.5%
FY 2026	5.5%
FY 2027	5.5%

Retained Earnings Projections - with Rate Changes



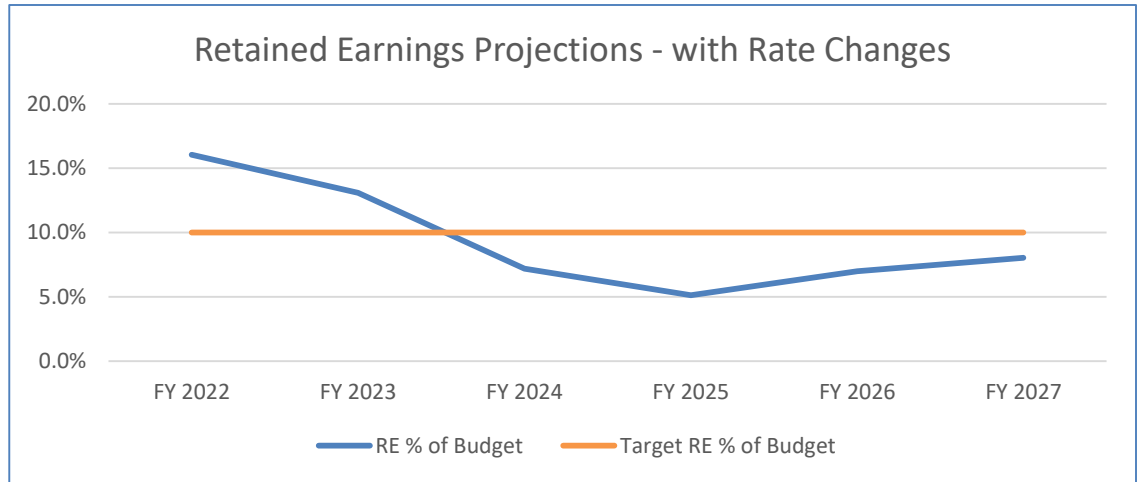
User Impact	Usage / Bill	FY22 Bill	FY 2023		FY 2024		FY 2025	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 95	\$ 101	\$ 6	\$ 106	\$ 6	\$ 112	\$ 6
Tier 2 User	3,000	\$ 146	\$ 154	\$ 9	\$ 163	\$ 8	\$ 172	\$ 9
Avg. Residential User	4,362	\$ 238	\$ 252	\$ 14	\$ 266	\$ 14	\$ 281	\$ 15
Avg. Commercial User	24,527	\$2,111	\$ 2,238	\$ 127	\$ 2,361	\$ 123	\$ 2,491	\$ 130

User Impact	Usage / Bill	FY22 Bill	FY 2026		FY 2027		FY 2027/FY 2022	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 95	\$ 118	\$ 6	\$ 125	\$ 6	\$ 125	\$ 30
Tier 2 User	3,000	\$ 146	\$ 181	\$ 9	\$ 191	\$ 10	\$ 191	\$ 46
Avg. Residential User	4,362	\$ 238	\$ 296	\$ 15	\$ 312	\$ 16	\$ 312	\$ 74
Avg. Commercial User	24,527	\$2,111	\$ 2,628	\$ 137	\$ 2,772	\$ 145	\$ 2,772	\$ 661

Rate Option 2 – 5.5% Increase in FY 2023

Five-Year Rate Plan

FY 2023	5.5%
FY 2024	5.5%
FY 2025	6.0%
FY 2026	6.0%
FY 2027	6.0%



User Impact	Usage / Bill	FY22 Bill	FY 2023		FY 2024		FY 2025	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 95	\$ 100	\$ 5	\$ 106	\$ 6	\$ 112	\$ 6
Tier 2 User	3,000	\$ 146	\$ 154	\$ 8	\$ 162	\$ 8	\$ 172	\$ 10
Avg. Residential User	4,362	\$ 238	\$ 251	\$ 13	\$ 265	\$ 14	\$ 281	\$ 16
Avg. Commercial User	24,527	\$2,111	\$ 2,227	\$ 116	\$ 2,350	\$ 122	\$ 2,491	\$ 141

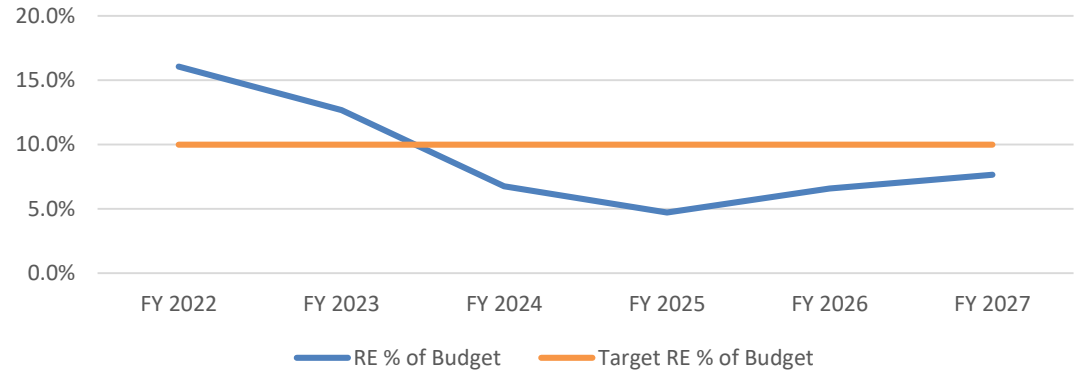
User Impact	Usage / Bill	FY21 Bill	FY 2026		FY 2027		FY 2027/FY 2022	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 95	\$ 119	\$ 7	\$ 126	\$ 7	\$ 126	\$ 31
Tier 2 User	3,000	\$ 146	\$ 182	\$ 10	\$ 193	\$ 11	\$ 193	\$ 47
Avg. Residential User	4,362	\$ 238	\$ 297	\$ 17	\$ 315	\$ 18	\$ 315	\$ 77
Avg. Commercial User	24,527	\$2,111	\$ 2,640	\$ 149	\$ 2,799	\$ 158	\$ 2,799	\$ 687

Rate Option 3 – 5.0% Increase in FY 2023

Five-Year Rate Plan

FY 2023	5.0%
FY 2024	6.0%
FY 2025	6.0%
FY 2026	6.0%
FY 2027	6.0%

Retained Earnings Projections - with Rate Changes



User Impact	Usage / Bill	FY22 Bill	FY 2023		FY 2024		FY 2025	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 95	\$ 100	\$ 5	\$ 106	\$ 6	\$ 112	\$ 6
Tier 2 User	3,000	\$ 146	\$ 153	\$ 7	\$ 162	\$ 9	\$ 172	\$ 10
Avg. Residential User	4,362	\$ 238	\$ 250	\$ 12	\$ 265	\$ 15	\$ 281	\$ 16
Avg. Commercial User	24,527	\$2,111	\$ 2,217	\$ 106	\$ 2,350	\$ 133	\$ 2,491	\$ 141

User Impact	Usage / Bill	FY22 Bill	FY 2026		FY 2027		FY 2027/FY 2022	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 95	\$ 119	\$ 7	\$ 126	\$ 7	\$ 126	\$ 31
Tier 2 User	3,000	\$ 146	\$ 182	\$ 10	\$ 193	\$ 11	\$ 193	\$ 47
Avg. Residential User	4,362	\$ 238	\$ 297	\$ 17	\$ 315	\$ 18	\$ 315	\$ 77
Avg. Commercial User	24,527	\$2,111	\$ 2,640	\$ 149	\$ 2,799	\$ 158	\$ 2,799	\$ 687