

# Town of Saugus FY 2024 Sewer Rates Update

The Abrahams Group

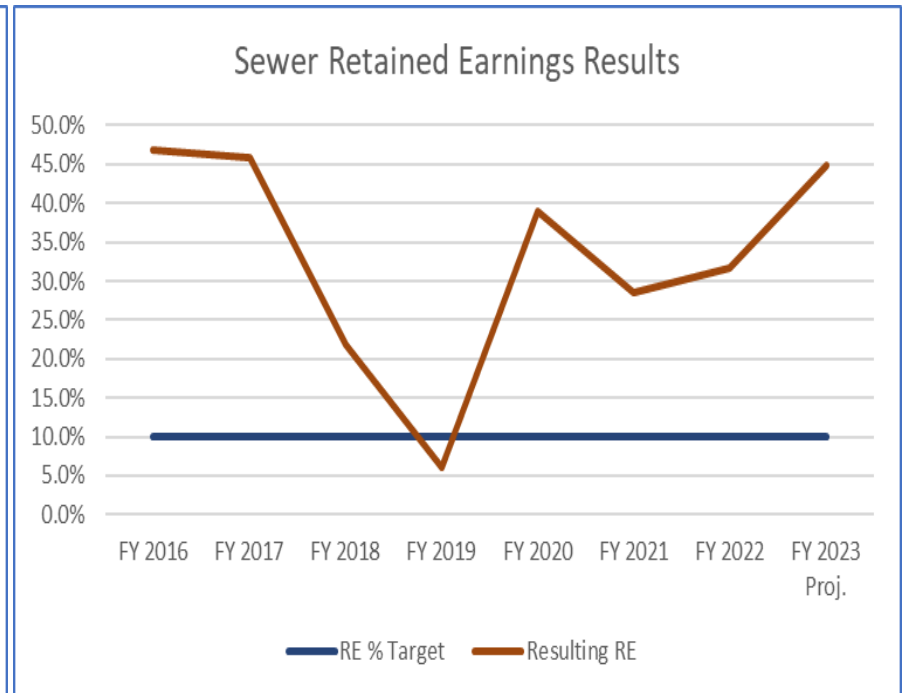
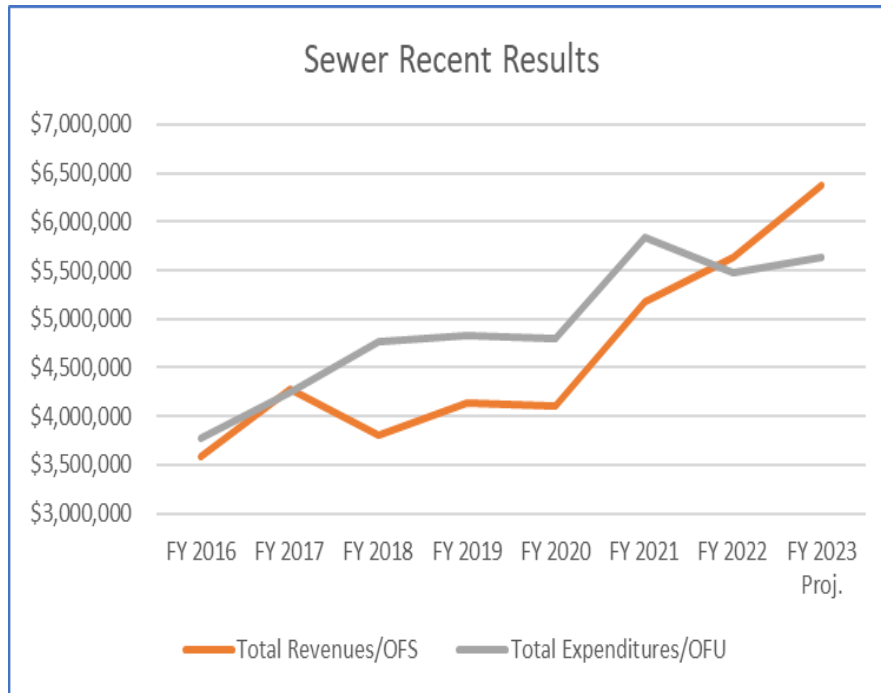
May 2023

# Eight-Year Review

The following rate changes were implemented recently:

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Recommended	N/A	10.8%	9.5%	12.5%	17.5%	10.0%	15.0%	4.5%
Voted	3.0%	7.5%	2.5%	10.0%	7.0%	7.0%	8.25%	4.5%

The following graphs show recent financial results:



# FY 2023 in Review

FY 2023 was impacted in the following ways:

- User charges revenue up 9.2% over FY 2022's
  - Outdoor water usage up due to dry summer in 2022
- Projected expenses up ~\$158,000 (or 2.9%) over FY 2022's
- No Retained Earnings used to balance the budget; projections show surplus of over \$740,000
- FY18 to FY 21 operated with a deficit of greater than \$690,000; FY22 with \$163,000 surplus

- Financial results:

	Budget	Projected
Total Revenues/OFS	\$6,108,065	\$6,377,199
Total Expenditures/OFU	\$6,108,065	\$5,630,892
Surplus/(Deficit)	\$0	\$746,306

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

# FY 2023 in Review (Cont.)

	Recommended 4.5% Proj. FY23	Voted 4.5% Proj. FY23	Projected 4.5% Proj. FY23
Revenues	\$6,214,389	\$6,214,389	\$6,377,199
Retained Earnings Appropriated	\$0	\$0	\$0
<b>Total Revenues and Available Funds</b>	<b>\$6,214,389</b>	<b>\$6,214,389</b>	<b>\$6,377,199</b>
<b>Total Expenditures</b>	<b>\$6,108,064</b>	<b>\$6,108,064</b>	<b>\$5,630,892</b>
<b>Surplus/(Deficit) + Close Reserves</b>	<b>\$106,324</b>	<b>\$106,324</b>	<b>\$792,400</b>
Prior year encumbrances not included in numbers in this table			
<b>Retained Earnings Projections</b>			
Retained Earnings at Start of FY23	\$1,601,257	\$1,601,257	<b>\$1,736,632</b>
Retained Earnings Appropriated	\$0	\$0	\$0
Surplus/(Deficit) + Close Reserves	\$106,324	\$106,324	\$792,400
<b>Retained Earnings at End of FY23</b>	<b>\$1,707,581</b>	<b>\$1,707,581</b>	<b>\$2,529,032</b>
<b>Retained Earnings as % of Budget</b>	<b>28.0%</b>	<b>28.0%</b>	<b>44.9%</b>

Starting Retained Earnings Balance higher primarily because of lower FY22 expenses than projected last year at this time.

# 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.

- Lift Station Design and Improvement in FY 2024
- Sewer Rehabilitation Subsystem PS4 in FY 2024
- Mini-excavator in FY 2024
- Sewer Rehabilitation Subsystem 3a in FY 2025
- Replacement of Utility Truck in FY 2025

Note: Water meter replacement program to be funded by ARPA

Total projected new debt service FY 2025 to FY 2028: \$2.1m  
(was \$1.7m in last year's analysis)

# Rate-Setting Drivers

- Projected expenses % changes are shown here:

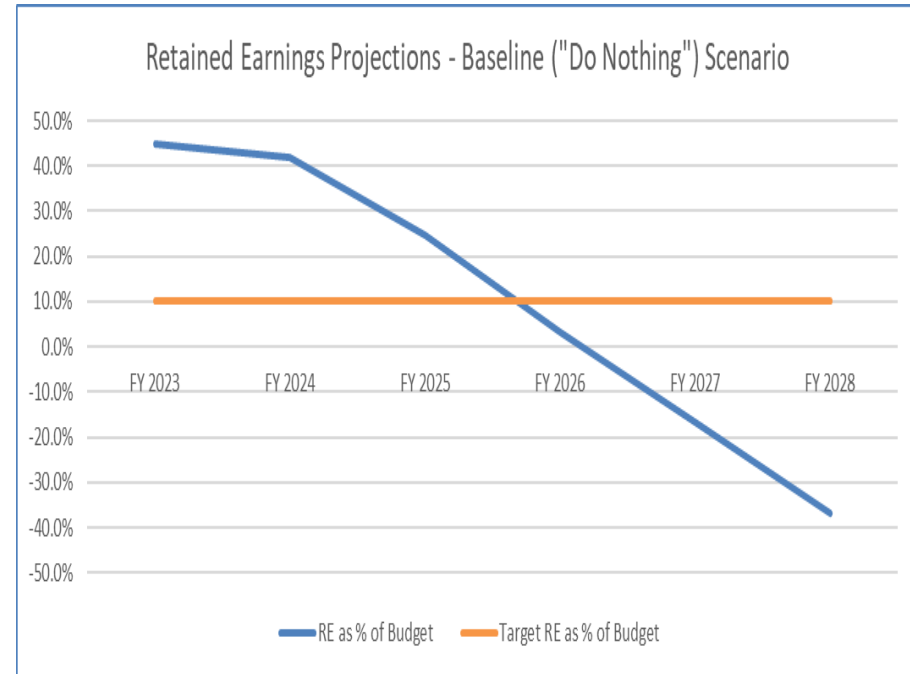
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Salaries	-3.3%	2.5%	2.5%	2.5%	2.5%
Lynn W/S Assessment	9.4%	27.1%	7.7%	1.5%	2.0%
Debt	-1.0%	10.6%	15.9%	-0.8%	-3.2%
Other Expenses	8.4%	2.1%	2.1%	2.1%	2.1%
<b>Total Expenses</b>	<b>4.5%</b>	<b>12.9%</b>	<b>8.7%</b>	<b>0.9%</b>	<b>0.3%</b>

- Notable Impacts:
  - Sizable anticipated increase in Lynn Water/Sewer assessment in FY 2025 due to LWSC's capital plan and borrowing of \$40 million
  - Impact of debt service related to capital plan significant over next few years
  - Indirect costs up \$25k (4%) in FY 2024

# Where Are We Now?

	Projected	Projected	Projected	Projected	Projected
Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Total Revenues and OFS	\$ 5,818,507	\$ 5,821,128	\$ 5,823,853	\$ 5,826,687	\$ 5,829,635
Total Expenditures and OFU	\$ 5,887,002	\$ 6,646,665	\$ 7,222,765	\$ 7,285,123	\$ 7,305,368
<b>Excess (Deficiency)</b>	<b>\$ (68,495)</b>	<b>\$ (825,538)</b>	<b>\$ (1,398,912)</b>	<b>\$ (1,458,436)</b>	<b>\$ (1,475,733)</b>
<b>Retained Earnings Summary</b>					
Projected RE at start of FY	\$ 2,529,032	\$ 2,460,537	\$ 1,634,999	\$ 236,087	\$ (1,222,349)
Current Year Surplus (Deficit)	\$ (68,495)	\$ (825,538)	\$ (1,398,912)	\$ (1,458,436)	\$ (1,475,733)
Projected Retained Earnings Balance	\$ 2,460,537	\$ 1,634,999	\$ 236,087	\$ (1,222,349)	\$ (2,698,082)
Retained Earnings % of Expenditures	41.8%	24.6%	3.3%	-16.8%	-36.9%

- Revenues shown with no rate change
- Retained Earnings last certified at \$1.74 million, as of July 1, 2022
- Retained earnings projected to grow next two FYs after over \$3 million in total RE used to cover shortfalls FY18 to FY21
- Rate action necessary to avoid depleting retained earnings and to avoid shortfalls; without rate action, retained earnings will deplete by FY 2027



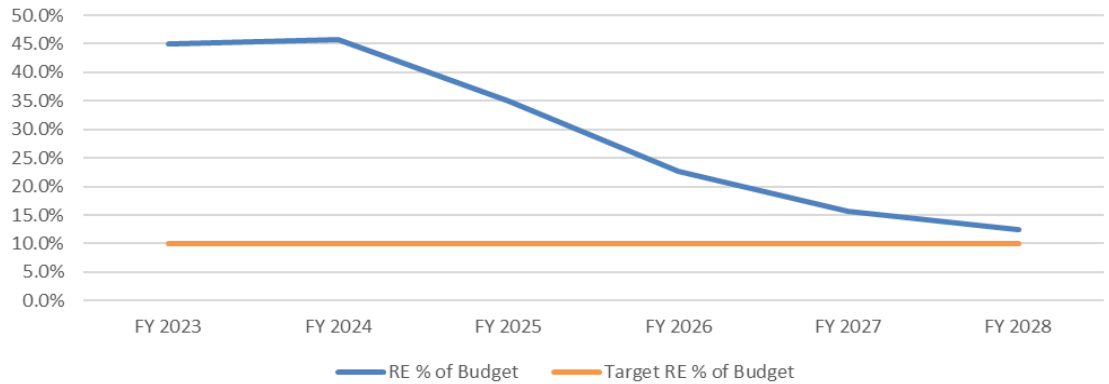


# Rate Option 1 – 4.0% Increase in FY 2024

## Five-Year Rate Plan

FY 2024	4.0%
FY 2025	4.0%
FY 2026	4.0%
FY 2027	4.0%
FY 2028	4.0%

Retained Earnings Projections - with Rate Changes



User Impact	Usage / Bill	Current Bill	FY 2024		FY 2025		FY 2026	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 97	\$ 101	\$ 4	\$ 105	\$ 4	\$ 109	\$ 4
Tier 2 User	3,000	\$ 133	\$ 138	\$ 5	\$ 144	\$ 6	\$ 149	\$ 6
Avg. Residential User	4,362	\$ 199	\$ 207	\$ 8	\$ 215	\$ 8	\$ 224	\$ 9
Avg. Commercial User	24,527	\$1,846	\$ 1,919	\$ 74	\$ 1,996	\$ 77	\$ 2,076	\$ 80

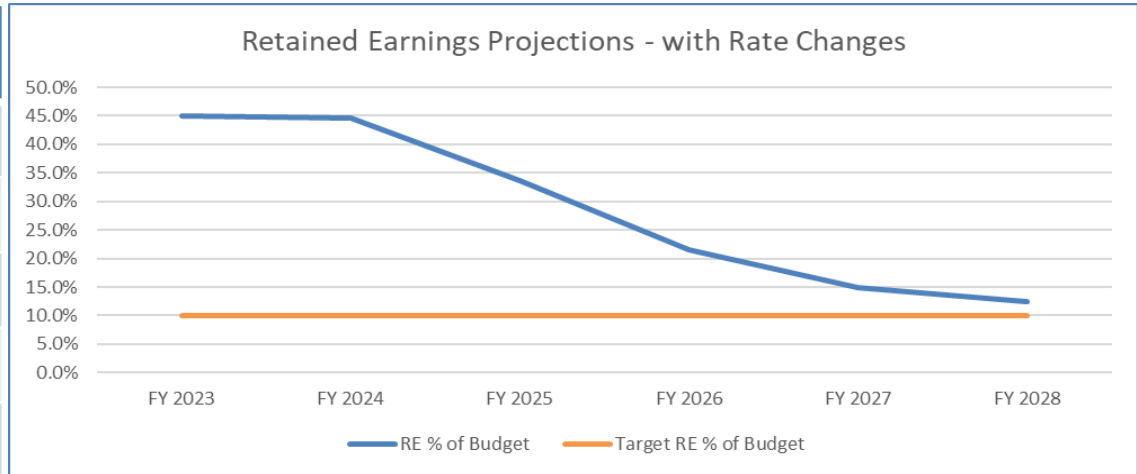
  

User Impact	Usage / Bill	Current Bill	FY 2027		FY 2028		FY 2028/FY 2023	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 97	\$ 114	\$ 4	\$ 118	\$ 5	\$ 118	\$ 21
Tier 2 User	3,000	\$ 133	\$ 155	\$ 6	\$ 161	\$ 6	\$ 161	\$ 29
Avg. Residential User	4,362	\$ 199	\$ 233	\$ 9	\$ 242	\$ 9	\$ 242	\$ 43
Avg. Commercial User	24,527	\$1,846	\$ 2,159	\$ 83	\$ 2,246	\$ 86	\$ 2,246	\$ 400

# Rate Option 2 – 3.0% Increase in FY 2024

## Five-Year Rate Plan

FY 2024	3.0%
FY 2025	4.5%
FY 2026	4.5%
FY 2027	4.5%
FY 2028	4.5%



User Impact	Usage / Bill	Current Bill	FY 2024		FY 2025		FY 2026	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 97	\$ 100	\$ 3	\$ 104	\$ 4	\$ 109	\$ 5
Tier 2 User	3,000	\$ 133	\$ 137	\$ 4	\$ 143	\$ 6	\$ 150	\$ 6
Avg. Residential User	4,362	\$ 199	\$ 205	\$ 6	\$ 214	\$ 9	\$ 224	\$ 10
Avg. Commercial User	24,527	\$1,846	\$ 1,901	\$ 55	\$ 1,987	\$ 86	\$ 2,076	\$ 89

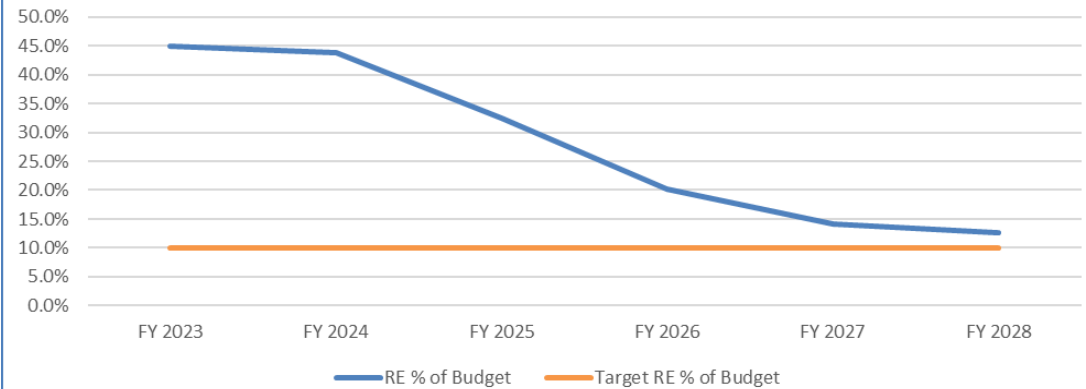
User Impact	Usage / Bill	Current Bill	FY 2027		FY 2028		FY 2028/FY 2023	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 97	\$ 114	\$ 5	\$ 119	\$ 5	\$ 119	\$ 22
Tier 2 User	3,000	\$ 133	\$ 156	\$ 7	\$ 163	\$ 7	\$ 163	\$ 30
Avg. Residential User	4,362	\$ 199	\$ 234	\$ 10	\$ 244	\$ 11	\$ 244	\$ 45
Avg. Commercial User	24,527	\$1,846	\$ 2,170	\$ 93	\$ 2,267	\$ 98	\$ 2,267	\$ 421

# Rate Option 3 – 2.0% Increase in FY 2024

## Five-Year Rate Plan

FY 2024	2.0%
FY 2025	5.0%
FY 2026	5.0%
FY 2027	5.0%
FY 2028	5.0%

Retained Earnings Projections - with Rate Changes



User Impact	Usage / Bill	Current Bill	FY 2024		FY 2025		FY 2026	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 97	\$ 99	\$ 2	\$ 104	\$ 5	\$ 109	\$ 5
Tier 2 User	3,000	\$ 133	\$ 136	\$ 3	\$ 142	\$ 7	\$ 150	\$ 7
Avg. Residential User	4,362	\$ 199	\$ 203	\$ 4	\$ 213	\$ 10	\$ 224	\$ 11
Avg. Commercial User	24,527	\$1,846	\$ 1,883	\$ 37	\$ 1,977	\$ 94	\$ 2,076	\$ 99

User Impact	Usage / Bill	Current Bill	FY 2027		FY 2028		FY 2028/FY 2023	
User Example			Bill	Diff \$	Bill	Diff \$	Bill	Diff \$
Tier 1 User	2,000	\$ 97	\$ 115	\$ 5	\$ 120	\$ 6	\$ 120	\$ 23
Tier 2 User	3,000	\$ 133	\$ 157	\$ 7	\$ 165	\$ 8	\$ 165	\$ 32
Avg. Residential User	4,362	\$ 199	\$ 235	\$ 11	\$ 247	\$ 12	\$ 247	\$ 48
Avg. Commercial User	24,527	\$1,846	\$ 2,180	\$ 104	\$ 2,289	\$ 109	\$ 2,289	\$ 443