

**Minutes of the Board of Water/Sewer Commission**  
**Tuesday, May 31, 2022 - 3:15 pm**  
**16C Perry Way, Newburyport, MA 01950**

**Present Commissioners:** Roger Jones, Owen Smith, William Creelman, Sandy Friede

**Staff:**

Director, Anthony Furnari

Deputy Director, Jamie Tuccolo

Business Manager, Julie Spurr-Knight

Collection Systems Superintendent, David Shaw

**1. Mayor Reardon**

In attendance

**2. Rate Setting Presentation**

- Ms. Knight reported I included \$100,000 in rate stabilization on the water side of retained earnings and the reason I did that was because Ethan and I worked together and liquidated \$230,000 in old water CIP accounts. The balance would be over \$700,000 if we funded everything plus the rate stabilization. On the sewer side funding those items, the clarifier, the aeration system, the water treatment resiliency plan, replace the 2008 utility body and the \$300,000 rate stabilization we would still be over \$1 million. I think those are healthy balances.

Commissioner Friede wanted to talk about retained earnings. She said she can see it for sewer because we don't have a lot of project coming up for sewer. The way I look at retained earnings is it's our capital fund and I'm not sure giving back \$100,00 makes sense when we have the meter project coming up and all these other projects. I don't think it's a good thing to do. Ms. Knight said the meter project timeline has changed. By the time we put it out to bid and shop for bonding it will be FY24 when it hits the rate. Commissioner Friede said she believes the purpose of retained earnings is for capital investments. I think we are doing a disservice by keeping the rates artificially low. It bothers me that we are saying we don't have money to pay for things in two years yet we are taking money from retained earnings to keep a rate for what I feel is artificially low for what we need to do investment wise.

Commissioner Smith said his concern is the rate foundation. He referenced the chart showing rate changes from 2013-2022. He referenced 2017 where we were on target. It was said at the City Council Finance Sub Committee meeting during the week that some of the councilors would like to see us budget in our debt service for future projects with it, which is one reason why we would raise the rates. We were \$5.57 in 2017 and our most abrupt change was last year. Our rate projects are below what the projected costs would be-inflation, rising costs in chemicals, vehicles, labor, etc. Instead of taking the \$100,000 to stabilize rates for water take the larger rate increase and put it in water to get it closer. The overall rate increase is relatively low if you account for water and sewer together and that is because the water rate is smaller.

Ms. Knight said she included the scenario that Commissioner Smith requested which was not using \$100,000 from water retained earnings. The reason I am backing my recommendation is because I feel 11% is a huge increase and 9% would be favorable. I took myself as Business Manager out of it and looked at the consumer

side. Everything else is increasing across the board for the citizens of Newburyport and anyone on a fixed income that might be a large increase even though it is only 2% more.

Commissioner Smith said if you are looking at fixed incomes the pension annuities and social security has had a lot of higher increases. Commissioner Friede asked what is the percentage of people in Newburyport on a fixed income that I actually paying water bills. Mayor Reardon said he doesn't have the exact number but he thinks the number is higher than the Commissioner thinks. Mr. Furnari said he agrees with the Mayor. Commissioner Friede asked if the rate could be changed if you're 65 and older. Mr. Tuccolo said the rate is already tiered. Commissioner Smith looked at the latest census and one fifth of the population is 65 or older—not necessarily retired or on fixed income.

Commissioner Jones said it was a discussion of earlier members of the commission that we use retained earnings to aid in lowering the rate. They wanted to bring it to zero in some cases. Mr. Furnari said the problem is the water rate has not increased in five years and that is why we are in the position we are in. Nine percent is a big hike. Mr. Tuccolo said Tony and I brought this up in 2008. We used to come up with the rate before Julie or Ethan were on board. At one point we used \$300,000 of retained earnings to keep the rate at a certain level. That was the norm. What Julie is doing now is what basically is on par with what has been done for a minimum of 20 years.

Commissioner Smith said he would prefer the strategy to be to minimize the rate by obtaining outside sources to pay for it and I said this to a City Councilor too. We are like the forgotten child here because when they have ARPA funds available and they want to spend it for projects that look good like paving streets.

Ms. Knight said Philips Drive wasn't factored into the debt service until very late. The Finance Director and I met and we moved the meter project out to FY24. So next year the rate is going to have to go up again. Commissioner Friede said it feels very false to me to give back that \$100,000. Let's be clear on what we are doing which is to raise the rate, we need to increase our rate of capital funding. I can do on the sewer because we have excess money. When I look at the overall percentage I think 11% is high for water but the overall that people are going to see on their bill looks to be more like 3 or 4 %. Ms. Knight said what is presented to City Council is going to be broken out. Commissioner Smith said if we are postponing the initiation of the water meter project to cover the capital costs associated with Philips Drive that's a consideration we should consider. That \$100,000 is going to get baked into the costs for that and we would not fall behind with having a higher percentage water sewer rate increase next year because next year at this time, because we've got Philips Drive on the books now, but we have this water meter project so we are going to have to make up that \$100,000 we gave away last year. Now that \$100,000 is actually less because of inflation. Ms. Knight said we do have \$350,000 on the books for meter capital and we are moving forward with procurement and material selection.

Commissioner Jones said I won't disagree with the City Council on the stabilization number but I will argue is the basic fee. We were talking about raising it to \$30. I'm nervous about that because as we continue the trend of using less and less water we are going to come to a point where we need more of a base.

Commissioner Smith said he wouldn't support any retained earnings going to water rate. I don't endorse throwing a bone and knocking the sewer rate down but I don't endorse that either. I would acknowledge that we had heavy capital work for the past decade on sewer and that has slowed down a little bit. Now we are ramping up to do some heavy capital work on water.

Commissioner Friede said we should be clear on what we are asking for. The scenario we are looking at is a variation of scenario W1 combined. Take out the \$100,000 stabilization under water. Leave the \$300,000 under sewer. Take the 1 meter or smaller up to \$27.50 and the larger than 1 meter up to \$150. The non-residential, the same thing. For sewer do the same.

Ms. Knight handed out the revised numbers based on Commissioner Friede's changes. Commissioner Friede requested that Ms. Knight makes sure that the public understands that the overall impact is 4 or 5 percent. What she doesn't want them to hear first is 11%.

Mayor Reardon said he was in favor of scenario 3 and said that is going to be a huge hit. We have been doing this with our taxes for years. Going from free cash to lowering the taxes. Commissioner Smith said he feels we have a fiduciary duty to keep a reasonable amount of free cash available. We made these decisions at the last meeting. It's based off of risk. That's why we elected to lower free cash to subsidize rates for sewer compared to water and that is because the level of risk we have for a catastrophe to sewer is lower now. We were also heavy on free cash with water--\$1.7 million but we are going to draw down on that.

*Commissioner Friede made a motion to accept scenario 4 for the rates. Commissioner Smith seconded.*

*Commissioner Jones asked all those in favor.*

*Vote: Smith yes, Creelman yes, Jones yes, Friede yes*

Respectfully Submitted By: Karen Bush