

Water and Sewer Rate Study Longmeadow, Massachusetts

Prepared for:

*Town of Longmeadow
20 Williams Street
Longmeadow, MA 01106*

Prepared by:

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May 2007

JN 97920

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EXECUTIVE SUMMARY

Earth Tech and the Abrahams Group have developed this rate study at the request of the Town of Longmeadow in order to provide the Town with a comprehensive document evaluating the true costs of operating and maintaining the water and sewer system. The goals of the study were discussed in depth with the project team at regular project meetings and the Abrahams/Earth Tech team worked collaboratively with Town employees to review and prepare useable data for further evaluation with the Town. This report should be viewed as a working document that should be evaluated and re-examined as capital needs, debt service and operational costs change.

This document begins with a review of the overall water and wastewater systems including pumping, collection and storage facilities, system demographics, town demographics and historical rate and system expansions. The report then provides a detailed budget and rate analysis including a projection of future debt service, capital reserve recommendations, and a breakdown of consumption and non-consumption based costs. This section clearly demonstrates the need for a rate increase due to capital investment needs in the future as well as unprecedented debt service costs.

This background provides a transition to the projection of future rate and revenue requirements, a brief discussion of rate structures and an outline of the Towns goals in setting a new rate structure. Two alternative rate structures are presented for evaluation along with separate structures for capturing administrative or non-flow based costs in the system.

The report concludes with clear recommendation regarding a future rate structure and administrative rate as well as an in depth discussion of the purpose, goals, and advantages of an Enterprise Fund structure and how the towns accounting system is set up to transition to an Enterprise Fund format.

I. BACKGROUND

Water and Sewer System Description

The Town of Longmeadow Water and Sewer Department currently provides water and sewer service to approximately 16,000 residents within the Town of Longmeadow.

Recently the Board of Water and Sewer Commissioners was replaced by a Department of Public Works. A Director of Public Works, reporting to the Town Manager who in turn reports to the Select Board, was hired to administer the management of Longmeadow's water distribution and sanitary sewer collection system. The Select Board is the Water and Sewer Commission. This change consolidates control over the operation and maintenance of both the water and sewer systems. As a first step towards defining a future direction for the water and sewer system the Town contracted with Earth Tech and its Subcontractor, The Abrahams Group, to complete the following water and sewer rate study. Both Earth Tech and The Abrahams Group acknowledge the support and cooperation provided the project team by DPW Director Michael Wrabel, Town Manager Robin Crosbie, and the Longmeadow Select Board.

Longmeadow's system is facing critical infrastructure needs due to a lack of capital investment in previous years. Rates have not been increased since 2001 and the last rate change was a decrease of water rates in 2002 from \$1.45 to \$1.30 per Hundred Cubic Feet (HCF). In this same time frame costs associated with operating and maintaining water and wastewater utilities have increased significantly. The United States Environmental Protection Agency (EPA) estimates that between 1995 and 2003 there has been a 40% increase in capital investment needs for water and wastewater utilities. This increase is due to material cost increases as well as increased infrastructure replacement needs. The EPA projects that these capital investment needs will increase at a rate 3% above inflation for the next ten years.

This trend is evident in the Longmeadow system as critical capital needs are currently being faced. Any existing reserves have been significantly drawn down in the past three years to meet some of the most critical capital investment needs. The Town will be evaluating future capital needs as part of a water and sewer system master plan project.

The Town is also facing unprecedented capital and debt service costs that need to be recovered through rates. A review of the current budget forecast shows that debt service associated with capital improvement project loans represents 10% of the total revenue required for operation of the water and sewer system. An additional 21% is associated with identified future capital investment needs. Other causes for cost increases include more stringent preliminary requirements, many of which are unfunded. Further compounding the need for a rate increase are the stagnant growth of the water and sewer systems and the associated flat consumption trend that has been seen over the past five years. This stagnant customer and consumption growth is associated with the near “build out” condition of the Town and the water and sewer systems. In addition, Springfield Water and Sewer Commission is currently planning significant upgrades to their system that will likely impact Longmeadow through future rate increases.

This study is the first comprehensive evaluation of the costs and associated required rates that the Town of Longmeadow has conducted. Project objectives include identifying all costs associated with providing Longmeadow’s resident water and sewer service in order to provide the Town the necessary information needed to make better management decisions. The project team reviewed historical, current, and projected water consumption patterns and sewer flows, evaluated and correctly re-classified members of the Town’s user base, and reviewed historical, current, and projected operations and maintenance costs. This knowledge and understanding of the system will assist the Town in adopting a rate structure that ensures the recovery of real system costs, builds financial reserves, and encourages water conservation.

Drinking water is delivered to all of Longmeadow’s 5,682 service connections through an interconnection with the Springfield Water and Sewer Commission. The system has no supplies of its own and purchases 100% of the water delivered to its customers through this interconnection. The interconnection consists of two 16 inch diameter water mains located on Forest Glen Road in Longmeadow. A pump/meter station at the site controls and monitors the amount of water the system receives. Pumps are located at the meter station to increase pressure in the system if required. The Town also owns and operates approximately 98 miles of water distribution system piping ranging in size from 6 to 16 inches in diameter, and a one million gallon water storage facility located at Academy Drive.

The wastewater collection system consists of approximately 87 miles of collection piping and a single pump station located at Emerson Road near the Department of Public Works Facility. The Emerson Road Pumping Facility pumps to the City of Springfield’s Bondi’s Island treatment facility. Inter-Municipal Agreements are in place with the Springfield Water and Sewer Commission for drinking water and wastewater.

Existing Rate Structure

Longmeadow bills customers twice per year and the rate structure for water and sewer service is as follows:

TABLE 1-1

Water Minimum	\$ 20.00	per Cycle
Water	\$ 1.33	per HCF
Sewer	\$ 1.60	up to 170 units

Each water customer incurs a minimum charge of \$20 per half year and is billed for use at \$1.33 per Hundred Cubic Feet (HCF) twice a year. Sewer charges are based upon water consumption and each account is charged \$1.60 per HCF. Above 170 HCF there is no charge for residential sewer customers. Commercial accounts pay \$1.60 per HCF for all use (no maximum). Springfield Water and Sewer currently charges the Town \$.0725 per HCF on a quarterly basis.

A comparison of local communities shows that these rates are lower than most communities in the area with similar demographics, as shown on the table below.

TABLE 1-2

	Water Rate	Sewer Rate
Longmeadow	\$1.33/HCF	\$1.60/HCF
Agawam	\$1.36/HCF	\$2.00/HCF
Wilbraham	\$2.10/HCF (0-100) \$2.74/HCF (101- 200) \$2.50/HCF (over 200)	\$2.63/HCF
South Hadley	NA	\$165/Year
South Hadley Fire District No. 1	\$2.68/HCF (0-200) \$2.74/HCF (Over 200)	NA
South Hadley Fire District No. 2	\$2.74/HCF (0-250) \$2.86/HCF (Over 250)	NA
East Longmeadow	\$2.00/HCF	\$2.45/HCF

Existing Customer Classes

Accounts are classified into one of five categories, Residential, Municipal, Irrigation, Institutional, and Commercial based upon the type of use. Each water and sewer account is then further classified using a three character reference to designate the type of account each represents. As part of our scope of services, we worked with the Department of Public Works to reclassify a number of the accounts in the customer database. The following is a breakdown of the current sewer accounts followed by a brief description of each class designation:

**TABLE 1-3
SEWER CUSTOMER CLASSES**

Ref.	Description	Number of Accounts
CNW	Commercial No Water - Commercial billings near Springfield. These accounts are currently supplied water by Springfield Water and Sewer and provided sewer service by Longmeadow.	7
FC1	These are accounts that have well water and are connected to Town sewer. Since it is unknown how much water they consume they are charged 60 units of sewer each billing period.	3
S10	These are accounts within the sewer service area with septic systems. Although they have access, these customers have chosen not to tie into the sewer system and are charged \$10 convenience fee per billing period.	20
WNS	Water No Sewer – These are residential accounts that have septic tanks and do not have access to the sewer system. As a result they are charged for water based on their use, but are not charged for sewer service or convenience.	8
WSC	Water Sewer Commercial - These are commercial accounts that are on the water and sewer system and as such pay for all the water and all the sewer based on water consumption.	124
WSR	Water Sewer Residential - Residential accounts that pay for sewer use based on water consumption up to a maximum of 170 HCF.	5,421
Total		5,583

**TABLE 1-4
WATER CUSTOMER CLASSES**

Ref.	Description	Number of Accounts
S10	These are accounts within the sewer service area with septic systems. These customers have chosen not to tie into the sewer system and are charged \$10 convenience fee per billing period. These are the same S10 accounts under the sewer summary.	20
W10	These are un-metered accounts with very low consumption that are charged \$10 per billing period	6
WNS	Water No Sewer – These are residential accounts that have septic tanks and do not use sewer system. These accounts are charged for water, but not for sewer. The remaining 93 accounts are commercial irrigation accounts	101
WSC	Water Sewer Commercial - These are commercial accounts that are on the water and sewer system and as such pay for all the water and all the sewer based on water consumption.	124
WSR	Water Sewer Residential – These are residential accounts that pay for sewer use based on water consumption up to a maximum of 170 HCF.	5,431
Total		5,682

Existing Water Accounts

The breakdown of water accounts supports the largely residential profile of the Town. A total of 91% of the overall consumption in 2006 was under the classification of Residential this classification represents 98% of the total accounts on the system. Commercial accounts make up for the next largest class of users. These commercial users are dominated by a few very large users. A review of the data in the table below indicates that the average residential user consumed 142 HCF in the past year.

**TABLE 1-5
2006 CONSUMPTION AND ACCOUNTS BY CLASS**

Class	Total Consumption (HCF)	% of Total	Average Use (HCF/Day)
Res	782,360	91%	142
Mun	4,591	0.5%	230
Irr	13,024	1.5%	407
Inst	16,295	1.8%	319
Com	45,965	5.2%	574
Total	862,235	100%	152

An evaluation of the water consumption trends in the system yields interesting results. The project team evaluated all of the accounts in the system and categorized each of the accounts use into six consumption categories as follows:

TABLE 1-6

Consumption Category	Accounts	% of Total Accounts	2006 Total Consumption	% of Total Consumption
>1,000 HCF	24	0.4%	50,019	5.8%
501-1,000	82	1.4%	52,347	6.1%
251-500	618	10.9%	203,040	23.5%
101-250	2,667	46.9%	415,180	48.1%
26-100	2,055	36.2%	138,628	16.1%
0-25	236	4.1%	3,021	0.3%
Total	5,682	100%	862,235	100%

Based on this summary, it is clear that 87% of users consume below 250 HCF per year however these 87% only represent 64.5% of the total consumption in the system. The remaining 13% of users consume 35.5% of the total consumption. This consumption paints a clear picture of the amount of water consumed by the highest users in the system.

The largest single account on the system was a commercial account that consumed 11,400 HCF in 2006, followed by an account that consumed 4,877 HCF. The top 25 accounts consumed between 928 and 11,400 units respectively. These 25 accounts were made up of 13 commercial accounts, 5 irrigation accounts, 4 institutional accounts, and 3 residential accounts.

Rate History

Water rates have in the past been periodically reviewed by the Longmeadow Water and Sewer Commission to determine needs for adjustment. The water rate was reduced from \$1.45 to \$1.30 per HCF due to a large surplus at the end of the fiscal year in June 2002. The rate has remained at \$1.30 per HCF since that time. During this time the sewer rate has remained at \$1.60 per HCF.

II. HISTORIC AND FUTURE COST OF SERVICE ANALYSIS

The American Water Works Association (AWWA) in their principles of water rates, fees and charges manual recommends a revenue projection period of five years when developing rate analyses and studies and cautions that any projections beyond this time frame can be speculative and of little value. AWWA additionally recommends that a rate analysis be a living document that can be updated regularly as system needs change.

Historic and Future Capital Budget

In reviewing data for the Longmeadow system it is apparent that due to little fluctuation in demands, revenues have remained largely unchanged over the past five years. The Longmeadow water and sewer system is currently undergoing a great deal of change. As mentioned previously, the system recently transitioned from a Board of Water and Sewer Commissioners format to a Department of Public Works overseen by the Town Manager and the Select Board. Longmeadow's first Director of Public Works has been hired by the Town's first Town Manager.

This report represents the first comprehensive rate evaluation in the system's history. This Rate Study supports the Town's objective to develop a long-term rate strategy and capital improvements program for the water and sewer systems. The Town made the decision to perform the rate analysis and study prior to a complete evaluation of the capital needs of the water distribution and sewer collection system. At this time, a consultant has been selected to perform a comprehensive evaluation of the water and sewer systems to determine long range capital needs. We recommend that this document be revisited once these capital needs are identified to determine the long term rate impacts of these capital improvements.

A summary of the budget for the past four years and the proposed FY08 Budget are shown below. A more detailed breakdown of these costs is provided in the Appendix.

These costs are more concisely broken down in the following table.

**TABLE 2-1
HISTORIC AND FUTURE BUDGET – WATER AND SEWER SYSTEM**

	FY04	FY05	FY06	FY07	FY08(proposed) Budget
WATER					
Personnel Exp.	\$296,145	\$275,012	\$297,650	\$361,247	\$379,168
Expenses	\$799,054	\$796,989	\$862,802	\$941,750	\$994,490
Debt Service					\$125,000
Capital Budget					\$575,000
Capital Reserve					\$40,000
Total Budget	\$1,095,190	\$1,072,001	\$1,160,452	\$1,302,997	\$2,113,658
SEWER					
Personnel Exp.	\$243,842	\$221,125	\$235,850	\$285,451	\$324,715
Expenses	\$663,927	\$657,668	\$703,843	\$854,566	\$871,640
Debt Service					\$265,890
Capital Budget					\$250,000
Capital Reserve					\$36,300
Total Budget	\$907,769	\$878,793	\$939,693	\$1,140,017	\$1,748,545

Based upon the current rate structure and the relatively flat demand profile, a projection was made of the total revenue for FY08. The total revenue vs. budget for FY 2008 shows a projected budget shortfall for both the water and sewer departments.

TABLE 2-2

	Water	Sewer
Total FY08 Budget	\$2,113,658	\$1,748,545
FY08 Estimated Revenues	\$1,564,215	\$1,354,000
FY08 Projected Shortfall	\$549,443	\$394,545

This information provided the basis for the rate structure analysis. After some discussion with the Town, an increasing block rate structure was agreed upon. The Town is also interested in placing an administrative fee on all accounts in order to capture all non-consumption based costs. These indirect costs include administrative salaries, employee benefits, workers compensation and other liability insurance, and other costs not associated with the actual water or sewer collection system.

Consumption/Non-Consumption Based Cost

There are two ways of capturing this administrative cost. Administrative costs capture general overhead including clerical staff and town administrative costs. The first is through a straightforward administrative charge per account. In order to calculate this fee the total administrative budget had to be separated from the flow (or non-administrative budget). Based on a review of the FY08 budget the following calculation was made

TABLE 2-3

	Water	Sewer
Administrative Budget (Non- Consumption Costs)	\$70,563	\$66,514
Flow Budget (Consumption Costs)	\$2,043,095	\$1,682,031
Total Budget	\$2,113,658	\$1,748,545
Resulting Administrative Fee	\$12/account	\$12/account

The second approach is to calculate an “equivalent meter” charge. This method bills every customer an administrative fee based upon the size of their meter. The American Water Works Association publishes equivalent meter factors for developing such a calculation. These factors establish a 5/8” meter as a “base” meter size the meter factor increases by meter size proportionally. A base administrative fee is then charged for based on a 5/8” meter and each larger meter size pays according to their meter factor.

Using this methodology for the Longmeadow system, the calculated water base charge would be \$10.65 for a 5/8” meter and would increase according to the following schedule:

TABLE 2-4

Meter Size	Equivalent Meter and Service Ratios	Meter Charge Per Year
5/8	1.0	\$10.65
3/4	1.1	\$11.72
1	1.4	\$14.91
1 1/4	1.6	\$17.04
1 1/2	1.8	\$19.17
2	2.9	\$30.89
3	11.0	\$117.15
4	14.0	\$149.10
5	17.5	\$186.38

Similarly for the sewer system the calculated sewer base charge would be \$10.54 for a 5/8” Meter and would increase according to the following schedule:

TABLE 2-5

Meter Size	Equivalent Meter and Service Ratios	Meter Charge Per Year
5/8	1.0	\$10.54
3/4	1.1	\$11.59
1	1.4	\$14.76
1 1/4	1.6	\$16.86
1 1/2	1.8	\$18.97
2	2.9	\$30.57
3	11.0	\$115.94
4	14.0	\$147.56
5	17.5	\$184.45

III. ALTERNATIVE RATE STRUCTURES

After reviewing the customer profile data with the project team several rate goals were identified in keeping with the overall goals of the final report. These goals included

- Re-evaluation of the existing residential sewer cap,
- Minimization of rate impact to the lowest users,
- Development of an administrative cost per account to cover non-flow based costs and, establishment of a rate structure to recover costs efficiently and promotes conservation.

Development of a rate structure that promotes conservation is a goal that is strongly encouraged and supported by the Massachusetts Department of Environmental Protection.

One of the initial recommendations made by the project team was to abandon the existing cap on residential sewer use. This cap was placed at 170 HCF of flow based on the assumption that any use above this amount was likely for irrigation purposes and therefore this flow was not reaching the sewer system. This type of cap on residential sewer use is rare and is not recommended. An analysis of consumption data from 2006 indicates that \$261,000 in revenue was lost in 2006 due to the rate cap.

With the project team goals in mind, an increasing block rate structure format was developed. Increasing block rates are a method of recovering costs through increasing volumetric rates for increasing consumption. According to the American Water Works Association, increasing block rates should be considered for systems that would like to send a strong price signal to users and are facing system constraints or significant capital expenditures.

This rate structure places a higher price impact on the highest users. These users typically have the most consistent demand pattern. In the case of Longmeadow since the user profile is almost universally residential the impact of the increasing rate structure will be placed on the few commercial accounts in the system and the highest residential users on the system.

Based on an evaluation of the 2006 consumption trends for residential users the average residential user on the system currently consumes 142 HCF/year. This results in an average water bill of \$189 per year and an average sewer bill of \$227 per year or \$416 per year total.

Several four step increasing rate block structures were evaluated for their overall impact to both the average user and the highest users on the system. After discussion with the Select Board, two rate block structures were identified for further review. We have outlined these rate structures below as Option 1 and Option 2. They represent two alternative increasing rates

Option 1

Class	Water Rate	Sewer Rate
0-25	\$1.50	\$1.40
26-100	\$1.75	\$1.65
101-250	\$2.30	\$1.85
>250	\$2.75	\$2.25

Under this scenario the average residential user consuming 142 HCF per year would see an increase of approximately \$89 per year on their water bill and \$21 per year on their sewer bill for a total rate impact of \$110 per year including the administrative fee. This represents a 21% rate increase on the average user. The largest single user on the system would see its total bill increase by approximately \$23,400 per year.

Option 2

Class	Water Rate	Sewer Rate
0-25	\$1.50	\$1.40
26-100	\$1.75	\$1.60
101-250	\$2.00	\$1.70
>250	\$3.20	\$2.45

This rate structure provides a more gradual increase to 250 HCF and places a large increase to the users that consume more than 250 HCF per year. Under this option the typical user would see their water bill increase by approximately \$76 per year and their sewer bill increase by approximately \$11 per year for a total impact of \$87 per year. This represents a 15% increase on the average user. The largest single user would see an increase of \$36,409 per year under this scenario.

IV. ENTERPRISE FUND

For the past few years, water and sewer have been accounted for and reported as special revenue funds on Longmeadow's financial statements. This treatment effectively separated water and sewer from the general fund. For FY 2006, the Town's independent auditors have reported water and sewer as enterprise funds. Any activity that charges a fee may be reported as an enterprise fund. A government must report an activity as an enterprise fund when one of three criteria, under GASB Statement No. 34, is met. The three criteria are:

1. When the government pledges water and sewer revenue to pay off related debt like a revenue bond
2. When the government adopts a pricing statute requiring cost recovery
3. When management sets fees and charges based on costs to be recovered including capital costs (depreciation or debt service) through fees and charges...(GASB Statement No. 34, Paragraph 67)

The Town has met criteria three and thus must report water and sewer as enterprise funds for FY 2006 on the Town's financial statements.

Background

The enterprise fund statute, MGL Chapter 44 §53F½ (formerly Chapter 41 §39K), was enacted in 1986. Before that time, communities like Longmeadow used special revenue funds authorized under various general laws or special acts in order to separately account for water and sewer activities. These special revenue funds were limited, however, with regard to the services and costs covered. The funds were most commonly authorized for water, gas and electric utility departments and used primarily to account for annual operating costs, not the indirect costs, capital expenditures or fixed assets of the service. The purpose of the enterprise fund statute was to give communities the flexibility to account separately for all financial activities associated with a broader range of municipal services.

An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Financial transactions are reported using standards similar to private sector accounting. Revenues are recognized when earned and expenses are recognized when incurred, under a full accrual basis of accounting.

At year-end, the performance of an enterprise fund is measured in terms of positive and negative operations. An operating surplus is the result of revenue collected in excess of estimates and appropriation turnbacks, and translates into retained earnings that are maintained in the fund rather than closing to the general fund. Retained earnings of an enterprise fund are certified as an available fund after the submission of a June 30th balance sheet to the Division of Local Services of the Department of Revenue. Once certified, retained earnings may be appropriated only for expenditures relating to the fund. Conversely, if during the year, the enterprise fund incurs an operating loss, the loss must be raised in the subsequent year's budget.

Establishing an enterprise does not create a separate or autonomous entity from Town operations. The Department of Public Works continues to fulfill financial and managerial reporting requirements like every other department.

What are the Advantages of Enterprise Fund Accounting?

A community may account for a certain service in the general fund, special revenue fund or an enterprise fund. The advantages of using the enterprise fund rather than the other two methods are as follows.

- **Demonstrate total cost of service** – All the direct, indirect (e.g., interdepartmental support, health and insurance costs) and capital costs of water and sewer will allow Longmeadow to readily identify the true cost of providing each service.
- **Provide useful management information** – With the consolidation of revenues and costs of water and sewer and information on the operating performance (positive or negative) of the funds, Longmeadow will have useful information to make decisions on user charges and other budgetary items. The Town will be able to analyze how much the user fees and charges support the service. The Town will also be able to include the fixed assets and infrastructure of the enterprise as assets in the financial statements and recognize the annual depreciation of these assets.
- **Retain investment income and surplus** – Unlike services operating in the general fund or a special revenue fund, all investment earnings and any operating surplus are retained in the enterprise fund rather than closed to the general fund at year-end. Once a surplus is certified as available (similar to free cash), it may be used to fund operating, capital or debt service costs associated with the enterprise.

Adopting an Enterprise Fund

Generally, a town may adopt an enterprise fund by vote of town meeting. Each enterprise fund must be adopted separately with its own vote.

The Department of Revenue recommends that the community accept Chapter 44 §53F½ in advance of the budget process and clearly state what service and when the fund will commence. If commencement date is absent, then the enterprise will commence the next fiscal year. Once adopted, the community may begin the process of establishing the separate fund. This would include transferring the estimated revenues and operating budget of the service and identifying the assets (capital items and infrastructure) and liabilities in the general fund to be transferred to the enterprise fund.

V. CONCLUSIONS AND RECOMMENDATIONS

Since the demographics of the Town are primarily residential, in order to lessen the impact to the typical user and promote conservation, the project team recommends setting the rate structure to result in a minor increase for the lowest volume users and increase the rate in steps to capture revenue from the users that consume the most water in the system. The most effective way to do this is to implement an increasing block structure with an equivalent meter administrative charge. This will result in the largest users bearing more of the burden of the rate increase and lessen the impact to the highest number of users. With that in mind, the project team recommends increasing the rates as outlined in Option 2 as follows.

Option 2

Class	Water Rate	Sewer Rate
0-25	\$1.50	\$1.40
26-100	\$1.75	\$1.60
101-250	\$2.00	\$1.70
>250	\$3.20	\$2.45

We recommend that the Town of Longmeadow adopt water and sewer as separate enterprise funds effective as soon as possible. Since the Town sets fees and charges based on costs to be recovered including debt service through fees and water and sewer are reported on the financial statements as enterprise funds, the Town should budget and account for them as such.

The following is sample language to adopt an enterprise fund.

“To see if the Town of Longmeadow will accept the provisions of Chapter 44, Section 53F½ of the Massachusetts General Laws, establishing water as an enterprise fund effective fiscal year 2009.”

“To see if the Town of Longmeadow will accept the provisions of Chapter 44, Section 53F½ of the Massachusetts General Laws, establishing sewer as an enterprise fund effective fiscal year 2009.”

We further recommend that a comprehensive set of policies and procedures be developed and adopted by the Town for the water and sewer system.

APPENDIX A
FY05-FY08 Budget Information
Water Department

	FY 04 Expended	FY 05 Expended	FY 06 Expended	FY 07 Appropriation	FY 08 Budget
Water					
Commissioners	600.00	300.00	0.00	0.00	0.00
Director	21,678.05	15,984.08	19,923.06	20,873.00	22,634.00
Administration	21,972.68	14,629.35	15,652.19	16,212.00	16,840.00
Engineering	26,493.73	27,523.26	29,576.18	30,496.00	43,829.00
Staff - Labor	212,684.47	207,548.10	222,732.67	214,555.00	221,930.00
Staff-Clerical	12,716.19	9,027.67	9,765.84	10,451.00	14,992.00
Overtime	inc above	inc above	0.00	18,600.00	18,600.00
Other	inc above	inc above	0.00	10,560.00	11,343.00
NEW - Asst Supt			0.00	27,500.00	29,000.00
NEW - Mechanic			0.00	12,000.00	0.00
Subtotal Personnel Services	296,145.12	275,012.46	297,649.94	361,247.00	379,168.00

**FY05-FY08 Budget Information
Water Department (Cont.)**

	FY 04 Expended	FY 05 Expended	FY 06 Expended	FY 07 Appropriation	FY 08 Budget
Water (Cont.)					
Employee Benefits	76,508.14	72,741.60	86,592.66	115,000.00	104,000.00
Energy - Electricity	0.00	0.00	0.00	22,000.00	22,000.00
Energy - Heating Oil	2,344.47	2,490.00	1,867.50		
Energy - Gasoline and Diesel	5,495.42	8,076.46	9,200.00	10,200.00	11,880.00
Utilities	2,380.16	2,685.36	3,362.50	2,000.00	2,000.00
Utilities - Purchase of Water / Springfield	592,723.05	614,152.29	620,591.25	620,000.00	651,000.00
Professional/Tech Services - Town					
Administration	22,781.00	24,000.00	24,000.00	24,750.00	30,000.00
Communications			0.00	8,700.00	13,250.00
Repairs & Maintenance - Building	358.96	2,100.00	257.40	2,750.00	3,000.00
Repairs & Maintenance - Vehicles					0.00
Repairs & Maintenance - Equipment	8,570.37	17,250.00	20,759.94	17,250.00	28,500.00
Other Property Related Services - Main					
Maintenance	5,761.27	3,940.00	9,523.82	12,000.00	15,000.00
Other Property Related Services - Connections	5,899.84	8,415.10	5,771.99	10,000.00	0.00
Other Property Related Services - Hydrants	31,921.78	2,248.30	27,173.18	30,000.00	30,000.00
Other Property Related Services - Meters	15,332.89	7,150.73	11,079.48	17,000.00	35,000.00
Other Expenses	17,073.67	18,735.87	27,622.60	26,600.00	27,810.00
Insurance Premiums	11,903.08	13,003.00	15,000.00	23,500.00	21,050.00
Reserve					40,000.00
DEBT SERVICE estimated					125,000.00
Subtotal Expenses	799,054.10	796,988.71	862,802.32	941,750.00	1,159,490.00
Total Water	1,095,199.22	1,072,001.17	1,160,452.26	1,302,997.00	1,538,658.00

**FY05-FY08 Budget Information
Sewer Department**

	FY 04 Expended	FY 05 Expended	FY 06 Expended	FY 07 Appropriation	FY 08 Budget
Sewer					
Commissioners	600.00	300.00	0.00	0.00	0.00
Director	21,678.04	15,984.08	19,923.06	20,873.00	22,634.00
Administration	22,035.24	14,629.24	15,651.94	16,212.00	16,840.00
Engineering	26,401.50	27,521.41	29,574.97	30,496.00	43,829.00
Staff - Labor	160,411.20	153,740.26	161,032.41	126,869.00	138,869.00
Staff - Clerical	12,716.02	8,950.55	9,667.77	10,451.00	14,992.00
Overtime	inc above	inc above	0.00	30,650.00	32,208.00
Other	inc above	inc above	0.00	10,400.00	11,343.00
NEW - Asst Supt			0.00	27,500.00	29,000.00
NEW - Shop Foreman			0.00	0.00	15,000.00
NEW - Mechanic			0.00	12,000.00	0.00
Subtotal Personnel Services	243,842.00	221,125.54	235,850.15	285,451.00	324,715.00

**FY05-FY08 Budget Information
Sewer Department (Cont.)**

	FY 04 Expended	FY 05 Expended	FY 06 Expended	FY 07 Appropriation	FY 08 Budget
Sewer (Cont.)					
Employee Benefits	51,332.14	47,405.39	56,804.11	99,700.00	68,160.00
Energy - Electricity	0.00	0.00	0.00	24,000.00	20,000.00
Energy - Heating Oil	2,344.47	2,490.00	6,196.13	9,000.00	3,900.00
Energy - Gasoline and Diesel	5,495.42	8,076.46	9,200.00	10,200.00	11,880.00
Utilities	2,380.16	2,685.36	2,740.87		1,500.00
Utilities - Purchase of Water / Springfield	519,900.00	494,972.80	514,704.00	580,390.00	606,500.00
Professional/Tech Services - Town Administration	18,439.00	21,123.54	23,741.00	26,276.00	28,000.00
Communications	0.00	0.00	0.00	5,200.00	5,800.00
Repairs & Maintenance - Building	358.96	0.00	0.00	2,750.00	3,000.00
Repairs & Maintenance - Vehicles			0.00	8,750.00	18,500.00
Repairs & Maintenance - Equipment	8,570.37	15,896.77	17,106.80	20,000.00	20,000.00
Other Property Related Services - Main Maintenance	14,526.77	15,002.96	19,500.00		35,600.00
Other Property Related Services - Connections	34.07	325.00			
Other Expenses	27,674.74	36,778.16	37,850.00	32,000.00	19,030.00
Insurance Premiums	12,870.78	12,912.00	16,000.00	26,300.00	29,770.00
Short Term Borrowing Costs				10,000.00	
Reserve					36,300.00
DEBT SERVICE per MWPAT schedule					265,890.00
Subtotal Expenses	663,926.88	657,668.44	703,842.91	854,566.00	1,173,830.00
Total Sewer	907,768.88	878,793.98	939,693.06	1,140,017.00	1,498,545.00

APPENDIX B

PART I. ADMINISTRATION OF THE GOVERNMENT

TITLE VII. CITIES, TOWNS AND DISTRICTS

CHAPTER 44. MUNICIPAL FINANCE

MISCELLANEOUS PROVISIONS

Chapter 44: Section 53F1/2. Enterprise Funds

Section 53F1/2. Notwithstanding the provisions of section fifty-three or any other provision of law to the contrary, a city or town which accepts the provisions of this section may establish a separate account classified as an "Enterprise Fund", for a utility, health care, recreational or transportation facility, and its operation, as the city or town may designate, hereinafter referred to as the enterprise. Such account shall be maintained by the treasurer, and all receipts, revenues and funds from any source derived from all activities of the enterprise shall be deposited in such separate account. The treasurer may invest the funds in such separate account in the manner authorized by sections fifty-five and fifty-five A of chapter forty-four. Any interest earned thereon shall be credited to and become part of such separate account. The books and records of the enterprise shall be maintained in accordance with generally accepted accounting principles and in accordance with the requirements of section thirty-eight.

No later than one hundred and twenty days prior to the beginning of each fiscal year, an estimate of the income for the ensuing fiscal year and a proposed line item budget of the enterprise shall be submitted to the mayor, Select Board or other executive authority of the city or town by the appropriate local entity responsible for operations of the enterprise. Said board, mayor or other executive authority shall submit its recommendation to the town meeting, town council or city council, as the case may be, which shall act upon the budget in the same manner as all other budgets.

The city or town shall include in its tax levy for the fiscal year the amount appropriated for the total expenses of the enterprise and an estimate of the income to be derived by the operations of the enterprise. If the estimated income is less than the total appropriation, the difference shall be added to the tax levy and raised by taxation. If the estimated income is more than the total appropriation, the excess shall be appropriated to a separate reserve fund and used for capital expenditures of the enterprise, subject to appropriation, or to reduce user charges if authorized by the appropriate entity responsible for operations of the enterprise. If during a fiscal year the enterprise incurs a loss, such loss shall be included in the succeeding fiscal year's budget.

If during a fiscal year the enterprise produces a surplus, such surplus shall be kept in such separate reserve fund and used for the purposes provided therefor in this section.

For the purposes of this section, acceptance in a city shall be by vote of the city council and approval of the mayor, in a town, by vote of a special or annual town meeting and in any other municipality by vote of the legislative body.

A city or town which has accepted the provisions of this section with respect to a designated enterprise may, in like manner, revoke its acceptance.

APPENDIX C

The following is an extensive guide on Implementation of GASB 34 requirements published by the Massachusetts Department of Revenue. The information provided includes the table of contents as well as introductory information. The entire document can be viewed at the following website:

http://www.mass.gov/Ador/docs/dls/publ/misc/GASB_34.pdf