

City of Framingham

FY 2025

Water and Sewer Rate Study

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The Abrahams Group LLC**

October 2024

The City of Framingham operates a Water & Sewer Enterprise Fund. In the recent past, the fund has been fiscally challenged and those challenges have not allowed the City to adequately invest in badly needed capital improvements.

The City has sought to conduct a water and sewer rate study aimed at accomplishing certain objectives, which include the following:

- Review the financial state of the Water & Sewer Enterprise Fund and understand the impact of the baseline (or “do nothing”) scenario.
- Consider what water and sewer capital improvements the City wants to invest in and review ways that the enterprise fund can cover the funding of those improvements.
- Review the City’s tier structure and, if no longer the best option for the City, recommend an updated structure.
- Review whether a fixed water fee would be recommended to the City as a suitable option.
- Review the City’s Multi-Unit Dwelling (“MUD”) policy and determine whether the City is enforcing it as stated in the policy. Recommend any changes related to the policy to ensure compliance.
- Develop proposed water and sewer rate structures to equitably assign costs to users, balance budget, and accumulate healthy retained earnings reserves.

This report presents the results of the water and sewer rate study and contains recommendations aimed at accomplishing these objectives.

RETAINED EARNINGS

In the recent past, the Water & Sewer Fund had retained earnings certified with a negative balance or a very small balance. The most recent certification, which was as of July 1, 2023, was about \$2.4 million, which is a step in the right direction, but still well below a typical healthy-budget targeted reserve. This increased retained earnings balance is due, in large part, to an FY 2023 budgetary surplus of over \$2.7 million.

Generally, for municipalities, the targeted retained earnings balance is between 10% and 25% of the fund’s annual expenditures. The following graph shows the City’s recent certified retained earnings amounts compared to the targeted range of 10% to 25% of fund expenses. FY 2024’s amount is included but is projected and will be certified by DOR late in calendar year 2024 or early in calendar year 2025.



The targeted retained earnings balance of 10% to 25% suffices for many municipalities. With a city the size of Framingham and with the City's strong need to invest in water and sewer capital, the targeted retained earnings balance should be at the higher-end of that range (20% to 25%).

Without a healthy retained earnings balance in the recent past, the City has not been able to adequately invest in badly needed capital improvements and the City has deferred these investments. The City is now focused on ways to increase the retained earnings balance to allow for at least some of these capital improvements to take place.

BASELINE (“DO NOTHING”) SCENARIO

As part of this study, the financial outlook of the Water & Sewer Enterprise Fund for the next five fiscal years was reviewed. The outlook contained projections for revenues and expenditures for FY 2024 through FY 2029.

Since the study was completed after FY 2024 year-end, the study includes projected results for FY 2024 that should be close to, if not exactly, actual FY 2024 results. FY 2024 projects to end in surplus, with about a \$2.2 million surplus, which contributes to the projected retained earnings balance of about \$3.7 million for the next certification.

Projected revenues from FY 2025 to FY 2029 are conservative estimates and are based on current water and sewer rates and on current other water and sewer receipts. The projected revenues are unchanged year to year since no changes to revenues are assumed with the baseline scenario.

Projected expenditures from FY 2025 to FY 2029 are based on the FY 2025 water and sewer budget, which is the latest budget available for use at the time of the study. Certain inflationary factors are used to inflate some expenditures year over year. The following list captures how expenditures are projected, starting with FY 2026:

- Personnel services increase 9.0% annually.
- Utilities and Repairs and Maintenance increase 12.0% annually.
- Purchase of Services increase 15.0% annually.
- Office Supplies and Vehicle Supplies increase 9.0% annually.
- Other Supplies increase 2.0% annually.
- Other Charges and Expenses increase 5.0% annually.
- Water MWRA Assessment increases 3.9% annually.
- Sewer MWRA Assessment increases 3.2% annually.
- Water DEP SDWA Assessment increase 2.0% annually.
- Indirect Costs increase 5.0% annually.
- Water Capital Outlay, for smaller capital items to be funded out of the budget, included at \$750,000 annually.
- Sewer Capital Outlay, for smaller capital items to be funded out of the budget, included at \$300,000 annually.
- Water Articles, for capital items to be purchased using retained earnings, included at \$100,000 annually.
- Sewer Articles, for capital items to be purchased using retained earnings, included at \$100,000 annually.

- Water Existing Debt Service is based on debt already on the books and is anticipated to be about \$7.3 million in FY 2026 and to decrease to about \$6.1 million in FY 2029.
- Sewer Existing Debt Service is based on debt already on the books and is anticipated to be about \$8.8 million in FY 2026 and to decrease to about \$7.4 million in FY 2029.
- Water New Debt Service, for capital items to be borrowed in the near future, included at \$1.25 million annually.
- Sewer New Debt Service, for capital items to be borrowed in the near future, included at \$1.25 million annually.

The factors in the list above apply to both water and sewer, unless otherwise noted. Capital funding noted in the list above based on input from City staff.

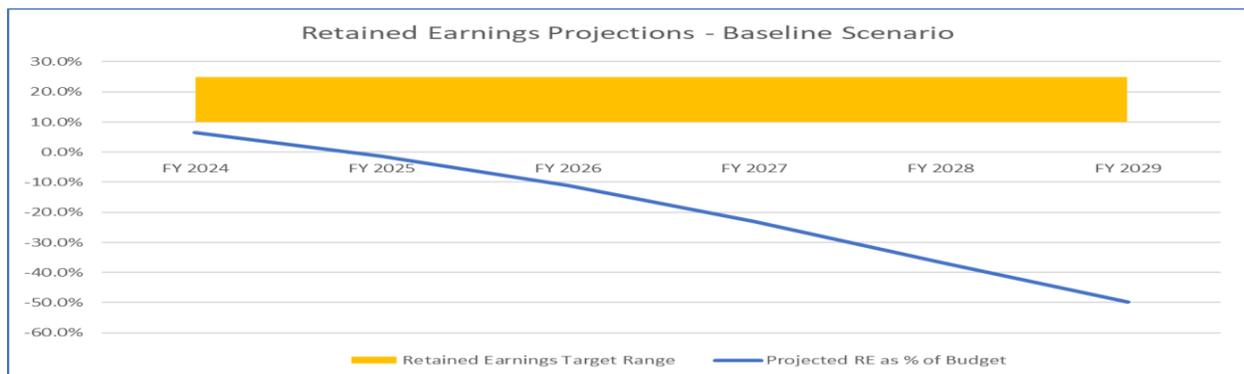
In total, projected expenditures increase in the following ways:

- Total Water Expenses increase by an average of 3.7% from FY 2026 to FY 2029.
- Total Sewer Expenses increase by an average of 3.1% from FY 2026 to FY 2029.
- Total Fund Expenses increase by an average of 3.4% from FY 2026 to FY 2029.
- Total Water Expenses, not including capital funding and debt service, increase by an average of 6.1% from FY 2026 to FY 2029.
- Total Sewer Expenses, not including capital funding and debt service, increase by an average of 5.0% from FY 2026 to FY 2029.
- Total Fund Expenses, not including capital funding and debt service, increase by an average of 5.5% from FY 2026 to FY 2029.

These expenditure projections represent targeted revenue increases year over year, in order to cover fund expenditures.

The following table and graph show the fund’s financial projections for FY 2024 to FY 2029. As mentioned earlier, the revenue projections do not include revenue changes in the years analyzed and, therefore, this table presents the Baseline or “Do Nothing” Scenario. The graph shows projected retained earnings based on the projected financial results in the table.

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenues and Other Sources	\$ 59,173,658	\$ 56,762,737	\$ 56,762,737	\$ 56,762,737	\$ 56,762,737	\$ 56,762,737
Total Expenditures and Other Uses	\$ 56,962,616	\$ 57,654,766	\$ 61,259,144	\$ 62,801,419	\$ 64,469,358	\$ 65,874,155
Surplus/(Deficit)	\$ 2,211,042	\$ (892,029)	\$ (4,496,407)	\$ (6,038,682)	\$ (7,706,621)	\$ (9,111,418)



As shown in the graph, the large projected deficits the next few fiscal years lead to depletion of retained earnings quickly, without rate action. Projections show that the retained earnings balance may not be large enough to support water and sewer operations in FY 2025 without rate action.

The City must take action soon to avoid the depletion of retained earnings and to allow the Water Division and Sewer Division to consistently cover its operating budget and to fund important capital improvements. Ways to take action are addressed in the following section.

CHANGES TO WATER AND SEWER RATES AND CHARGES

The following changes are recommended for the City to implement by January 1, 2025, to allow for about a half year of water and sewer revenue impact in FY 2025 and a full year of revenue impact in FY 2026. Implementing these changes should allow the Water Division and Sewer Division to cover their operating budgets in FY 2025 and FY 2026 and to start funding important capital improvements in FY 2026, if not sooner.

Ready to Serve Fee

The Ready to Serve Fee is designed to recover some of the water and sewer operation's fixed costs. Fixed costs are costs that the operation has regardless of how much water is used and how much flow is conveyed through the sewer system. Examples of fixed costs are costs associated with meter reading, billing, and administration.

Currently, the City does not have a minimum, or "fixed", charge or fee in place, which means that users who do not use water during a billed period receive a bill with a \$0 balance due. Of almost 86,000 bills distributed during FY 2024 that were analyzed as part of the rate study, over 9,000 bills, or 10.6% of bills, had a \$0 balance due. Of the approximately 9,000 bills, 7,500 bills were for irrigation and almost 1,600 were for domestic service.

The City has real and consistent costs to read meters and generate bills for any user, among other fixed costs, whether users use water or not. A Ready to Serve Fee, if implemented, would help cover these costs.

The "equivalent meter" methodology was used to develop Ready to Serve fees by meter size, as outlined in the AWWA Manual M1. This method develops "equivalent" meters based on maximum flow capacity for each meter. Dividing the maximum flow by the maximum flow for the 5/8" meter determines the equivalent meter factor for each larger meter size. The equivalent meter factor is multiplied by the number of meters used throughout the City to determine the number of equivalent meters. The total number of equivalent meters is then divided into the revenue requirement (in this case, 2.0% of the FY 2025 water and sewer budget, or about \$1.2 million) to determine the cost per equivalent meter. The cost per equivalent meter is then multiplied by the equivalent meter factor to get the annual fee for each meter size.

The calculations used to determine the recommended Ready to Serve (RTS) fees are shown in the following table.

Revenue Requirement:		\$ 1,153,095							
Cost per Equivalent Meter:		\$ 37.11							
Equivalent Meters Calculations						Ready to Serve Fees Based on Equivalent Meters			
Meter Size (inches)	Maximum Flow (in gpm*)	# of Meters	Equivalent Meter & Service Ratio	Equivalent Meters	EM%	RTS Annual Fee	RTS Total Annual Charges	RTS Fee, if Billed Quarterly	RTS Fee, if Billed Monthly
5/8"	20	17,339	1.00	17,339	55.8%	\$ 37.11	\$ 643,489	\$ 9.28	\$ 3.09
3/4"	30	2,221	1.50	3,332	10.7%	\$ 55.67	\$ 123,639	\$ 13.92	\$ 4.64
1"	50	686	2.50	1,715	5.5%	\$ 92.78	\$ 63,647	\$ 23.20	\$ 7.73
1 1/2"	100	294	5.00	1,470	4.7%	\$ 185.56	\$ 54,555	\$ 46.39	\$ 15.46
2"	160	440	8.00	3,520	11.3%	\$ 296.90	\$ 130,635	\$ 74.22	\$ 24.74
3"	300	98	15.00	1,470	4.7%	\$ 556.68	\$ 54,555	\$ 139.17	\$ 46.39
4"	500	45	25.00	1,125	3.6%	\$ 927.81	\$ 41,751	\$ 231.95	\$ 77.32
6"	1,000	11	50.00	550	1.8%	\$ 1,855.61	\$ 20,412	\$ 463.90	\$ 154.63
8"	1,600	4	80.00	320	1.0%	\$ 2,968.98	\$ 11,876	\$ 742.24	\$ 247.41
10"	2,300	2	115.00	230	0.7%	\$ 4,267.91	\$ 8,536	\$ 1,066.98	\$ 355.66
Totals		21,140		31,071	100.0%		\$1,153,095		

The two right-most columns in the above table represent the Ready to Serve fees to be billed based on users' meter size, with one column for accounts billed quarterly and one column for accounts billed monthly.

If implemented, the Ready to Serve fee is designed to generate almost \$1.2 million in additional water revenue annually and over \$500,000 for half a year if implemented for January 1, 2025. The actual amount may vary due to the City's actual meter counts and how quickly billed amounts are collected.

Irrigation Rate

The City maintains a policy allowing users to use an irrigation (or outdoor) water meter such that any flow through it is not subject to sewer charges. The flow is currently charged at a flat rate of \$15.00 per 100 cubic feet of usage. Since the irrigation rate is a flat rate, irrigation usage is not subject to the tiers in place for domestic water usage.

An analysis on how irrigation charges compare to water and sewer charges for domestic usage was conducted for many different amounts of usage. The goal of this analysis was to see at what usage do irrigation users pay the same as domestic users paying water and sewer charges combined. The results of the analysis showed that, if the irrigation rate is set to be \$18.43 per 100 cubic feet of usage, irrigation users pay the same as domestic users paying water and sewer charges combined. (Note that this analysis does not factor in that outdoor water usage for domestic users without an irrigation meter would be added to the domestic usage, resulting in higher charges if the combined total usage enters a higher tier.)

If the irrigation rate is increased to \$18.43 per 100 cubic feet of usage, the rate would increase by about 23% over the current rate. However, even with this higher rate, users that have an irrigation meter would not pay more than if they did not have an irrigation meter and their irrigation usage was subject to domestic water and sewer charges. Once irrigation usage is 300 cubic feet or greater in one billing cycle, irrigation users save when compared to water and sewer charges for domestic users and their savings increase as irrigation usage increases.

If the irrigation rate is increased to \$18.43 per 100 cubic feet of usage, the projected additional annual water revenue is about \$495,000 and about \$30,000 for half a year if implemented for January 1, 2025. The actual amount may vary due to usage patterns and how quickly billed amounts are collected.

Multi-Unit Dwelling Factor

The City has many accounts that have multiple units within a building with a single water meter. A legacy policy exists in the City which can provide some classes of property an adjustment in water rate tier breakpoints depending on number of units. As an example, a two-unit condominium sharing a single water meter may be eligible for a “Multi Unit Dwelling (MUD) Factor” of “2”, which would adjust volume eligible for Tier 1 billing from a typical 0-12 HCF to an adjusted 0-24 HCF, the volume eligible for Tier 2 billing would similarly adjust from a typical 12-27 HCF to an adjusted 24-54 HCF, and so on.

The multi-unit dwelling adjustment policy was originally eligible to each apartment buildings and condominiums. In 2007, the Board of Selectmen for the Town of Framingham approved an amendment to eligibility. The amended policy indicated that multi-unit water accounts with one meter which are condos would be eligible for MUD adjustment and that all other multi-unit accounts would be ineligible. A review of MUD factors currently applied to water accounts suggests that the 2007 amendments were sporadically applied. Many non-condo apartments persist with a MUD factor.

If the City updates its billing system to ensure that all condominium units are billed with appropriate MUD factor, based on data from the assessors, and that all other properties continue to be billed at the account level, the City could bring in approximately \$675,000 in additional water and sewer revenue each year. If this change starts on January 1, 2025, the City could earn approximately \$190,000 in extra revenue for the first six months. The actual revenue could be different, depending on water usage, how quickly bills are paid, and how accurately the assessors’ information matches the billing data.

Tier and Rate Changes

The City's current water and sewer rate structure is shown in the following table:

Tier	Usage by Tier		Rates		City Accounts	Water	Sewer
	Start	End	Water	Sewer			
1	-	12	\$ 8.02	\$ 10.41	Flat Rate	\$ 2.52	\$ 4.09
2	12	27	\$ 8.92	\$ 10.73	Irrigation	\$ 2.52	
3	27	51	\$ 10.37	\$ 14.42			
4	51	750	\$ 12.21	\$ 20.62			
5	750	+	\$ 14.80	\$ 29.95			
		Irrigation	\$ 15.00	\$ 276.45	<---- Flat Rate		

Usage amounts in tiers are based on 100 cubic feet (748.05 gallons) of usage. Rates are based on 100 cubic feet of usage.

The City's tier structure is a five-tier structure, with small differences in rates in Tiers 1 and 2 and a large range of usage in Tier 4. Almost 80% of water and sewer bills in the dataset analyzed ended up in Tier 1 or Tier 2, about 6% ended up in Tier 3, and about 4% of bills ended up in Tier 4 or Tier 5. (About 11% of bills had no usage.) The breakdown of usage by tier is about 63% in Tiers 1 and 2, 5% in Tier 3, and 32% in Tiers 4 and 5.

As a result of discussions on potential changes to the tier structure with City staff, a four-tier structure is recommended. The rates in the tiers were determined by starting with the same rates for Tier 1, Tier 2, and Tier 3 as they exist in the current rate structure and to use the current Tier 5 rate as the Tier 4 rate in the new structure, and then to increase those rates by 4.0%.

The proposed rate and tier configuration are designed to bring-in revenues to offset projected deficits (see chart Page 3) and to provide the following benefits:

- Encourage Conservation: Tiered water rates are commonly used to promote water conservation, especially in areas served by the MWRA, which sources its water from reservoirs with limited capacity. Higher rates for higher water usage encourage residents and businesses to use water more efficiently, aligning with state and MWRA goals for sustainable water management.
- Support Revenue Stability: Changes to the tier structures can help municipalities manage fluctuating revenues. Water and sewer infrastructure costs are largely fixed, meaning that even as usage decreases due to conservation efforts, municipalities still face high costs for maintenance, treatment, and distribution. A well-designed tier structure can ensure that revenues are stable enough to cover these expenses while still promoting conservation.
- Provide Equity in Cost Distribution: Revising the tier structure ensures that the cost of water and sewer services is distributed more equitably. Users with higher consumption, such as industrial or large commercial properties, place greater demand on the system. Tiers that escalate with increased usage can ensure that those who use more pay a proportionate share, while protecting lower-usage residents from steep rate hikes.

- **Reflect MWRA Costs:** MWRA assessments to communities are based on water usage and wastewater flow, which can fluctuate significantly. Adjusting tier structures to reflect these costs allows municipalities to better pass on the variable costs imposed by the MWRA, ensuring they can meet their financial obligations without incurring deficits. This is especially relevant when MWRA imposes new capital projects or increases its rates.
- **Align with Statewide Goals:** Massachusetts municipalities, especially MWRA communities, are often focused on meeting state-level environmental and infrastructure goals. By adjusting tier structures, cities can align their local policies with broader initiatives, such as those laid out in the Massachusetts Global Warming Solutions Act and water management policies that encourage reduced water consumption and promote resilience to climate change.
- **Support Infrastructure Investment:** Many MWRA communities face aging water and sewer infrastructure that requires ongoing investment. Changing the tier structure to generate additional revenue from high-use customers can help fund critical capital improvements, reduce deferred maintenance, and ensure the long-term viability of the water and sewer systems.

The recommended updated tier structure is as follows:

	Usage by Tier		Rates	
Tier	Start	End	Water	Sewer
1	-	9	\$ 8.34	\$ 10.83
2	9	24	\$ 9.28	\$ 11.16
3	24	99	\$ 10.78	\$ 15.00
4	99	+	\$ 15.39	\$ 31.15

The updated tier structure as shown ensures that most users reach the higher tiers more quickly and eliminates the large usage range of the current structure’s Tier 3, but it also ensures that the low-end user remains in Tier 1 and that the average single-family home ends up in Tier 2, as it does with the current rate structure. Likewise, residential users that do not have excessive usage will see no change to the tier they end up in, as is also the case for small non-residential users. Medium, large, and very heavy users will see the biggest impacts to their bills because of their getting into the top tier more quickly with the updated tier structure.

With the updated tier structure, about 71% of bills end up in Tiers 1 and 2, 15% in Tier 3, and 3% in Tier 4. (Again, about 11% of bills had no usage.) The breakdown of usage by tier is about 53% in Tiers 1 and 2, 16% in Tier 3, and 31% in Tier 4.

If implemented, the updated tier structure is projected to generate over \$6.0 million in additional water and sewer revenue annually and about \$2.3 million for half a year if implemented for January 1, 2025. The actual amount may vary due to usage patterns and how quickly billed amounts are collected.

UPDATED FINANCIAL OUTLOOK

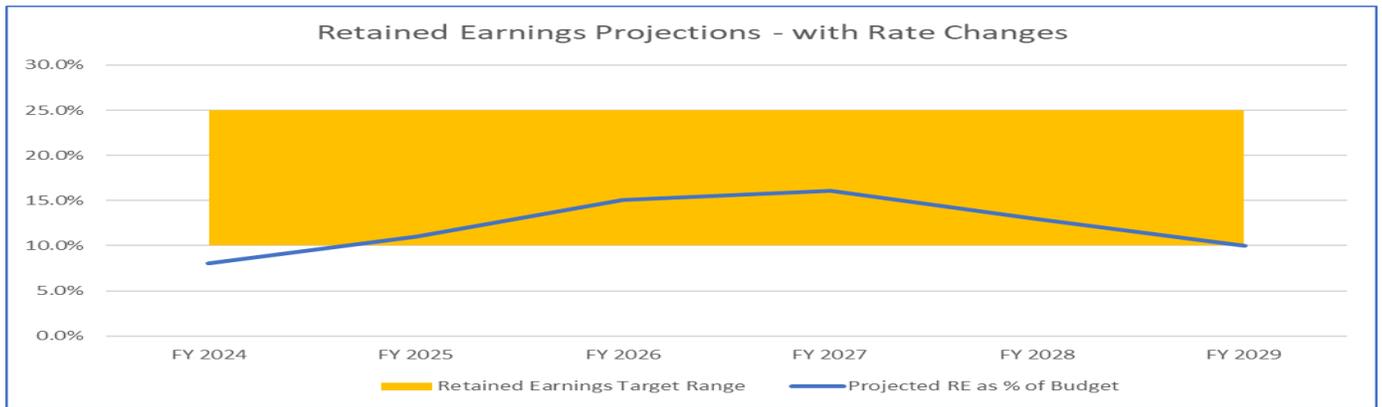
The changes recommended in this report are summarized here as:

- Ready to Serve Fee
- Updated Irrigation Rate
- Updates to How Multi-Unit Dwelling (“MUD”) Accounts Are Billed
- Tier and Rate Changes

If all four of these changes are implemented as recommended, the projected additional annual water and sewer revenue is about \$8.3 million and about \$3.0 million for half a year if implemented for January 1, 2025. The actual amount may vary due to the City’s actual meter counts, usage patterns, how quickly billed amounts are collected, and how well the assessors’ data aligns with the data used to determine the impact.

If all four of these changes are implemented as recommended, the following table and graph show the Water & Sewer Fund’s updated financial projections for FY 2024 to FY 2029. Unlike the Baseline or “Do Nothing” Scenario shown earlier, these projections include projected revenue changes, based on the noted impact of each of the changes outlined in this document. The graph shows projected retained earnings based on the projected financial results in the table.

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenues and Other Sources	\$ 59,173,658	\$ 59,446,518	\$ 64,094,192	\$ 64,094,192	\$ 64,094,192	\$ 64,094,192
Total Expenditures and Other Uses	\$ 56,962,616	\$ 57,654,766	\$ 61,259,144	\$ 62,801,419	\$ 64,469,358	\$ 65,874,155
Surplus/(Deficit)	\$ 2,211,042	\$ 1,791,752	\$ 2,835,049	\$ 1,292,773	\$ (375,166)	\$ (1,779,963)



The table shows that, with the recommended changes, the Water & Sewer Fund should realize some projected surpluses for the current fiscal year of FY 2025 and the upcoming fiscal years of FY 2026 and FY 2027, before transitioning back to a projected deficit state in FY 2028 and FY 2029. As the graph shows, the multiple years of projected surplus allow projected retained earnings to increase to an amount within the targeted range of 10% to 25% of fund expenditures, before dipping back below the targeted range by FY 2029. This shows that further rate action in future years likely will be necessary for the City to maintain retained earnings within the targeted range, let alone the higher end of the range (20% to 25%) that is recommended for the City of Framingham.

The following user impact table shows the anticipated impact on certain users, if all four changes are implemented. The usage for these sample users is included so users with similar usage and property type can get a sense of the impact to their bills. These amounts are per bill.

User Type	F	Usage	MUD Factor		Meter	Current	New	Total Diff	
			Today	New		Total	Total	\$	%
Single-family home (small usage)	Q	6	N/A	N/A	5/8"	\$ 110.58	\$ 124.28	\$ 13.70	12.4%
Single-family home (average usage)	Q	14	N/A	N/A	5/8"	\$ 260.46	\$ 283.96	\$ 23.50	9.0%
Single-family home (avg for 4 people)	Q	23	N/A	N/A	5/8"	\$ 437.31	\$ 467.89	\$ 30.58	7.0%
Non-residential account (small usage)	Q	51	N/A	N/A	5/8"	\$ 1,110.87	\$ 1,184.43	\$ 73.56	6.6%
Non-residential account (medium usage)	Q	150	N/A	N/A	2"	\$ 4,361.04	\$ 4,860.43	\$ 499.39	11.5%
Non-residential account (medium usage)	M	197	N/A	N/A	2"	\$ 6,279.69	\$ 8,461.52	\$ 2,181.83	34.7%
Non-residential account (large usage)	M	1,000	N/A	N/A	3"	\$ 41,582.18	\$ 45,854.79	\$ 4,272.61	10.3%
Non-residential account (heavy usage)	Q	2,160	N/A	N/A	5/8"	\$ 87,156.54	\$ 98,340.88	\$ 11,184.34	12.8%
Non-residential account (very heavy usage)	M	4,982	N/A	N/A	3"	\$ 219,776.68	\$ 231,177.07	\$ 11,400.39	5.2%
multi-family home (3 units)	Q	33	3	N/A	1"	\$ 608.19	\$ 734.27	\$ 126.08	20.7%
multi-family home (6 units)	Q	22	6	N/A	3/4"	\$ 405.46	\$ 452.09	\$ 46.63	11.5%
multi-family home (8 units)	Q	25	8	N/A	5/8"	\$ 460.75	\$ 514.10	\$ 53.35	11.6%
8-unit condo	Q	64	8	8	1"	\$ 1,179.52	\$ 1,249.90	\$ 70.38	6.0%
12-unit condo	Q	64	12	12	2"	\$ 1,179.52	\$ 1,300.93	\$ 121.41	10.3%
32-unit condo	M	100	32	32	2"	\$ 1,843.00	\$ 1,946.54	\$ 103.54	5.6%
220-unit condo	M	1,610	220	220	6"	\$ 30,562.90	\$ 32,219.19	\$ 1,656.29	5.4%
4-unit apartment	Q	79	4	N/A	5/8"	\$ 1,493.79	\$ 1,906.31	\$ 412.52	27.6%
12-unit apartment	Q	190	12	N/A	1 1/2"	\$ 3,557.82	\$ 6,694.20	\$ 3,136.38	88.2%
151-unit apartment	M	481	N/A	N/A	4"	\$ 18,356.93	\$ 21,731.46	\$ 3,374.53	18.4%
308-unit apartment	M	1,016	N/A	N/A	3"	\$ 42,298.18	\$ 46,599.43	\$ 4,301.25	10.2%
6-unit non-residential building	Q	85	6	N/A	3/4"	\$ 1,582.41	\$ 2,065.64	\$ 483.23	30.5%
Hotel (over 100 units)	Q	1,187	N/A	N/A	2"	\$ 43,614.79	\$ 53,122.41	\$ 9,507.62	21.8%

For space reasons, in the table above, the F column is for billing frequency, with Q for quarterly and M for monthly. Also, for space reasons, the water and sewer portions of the bills are not included, just the totals. Applicable to multi-unit accounts, the two MUD Factor columns show the current number of units billed in the Today column and the anticipated number of units billed under the amended policy. The meter size is included since the Ready to Serve fee is billed based on meter size. The inclusion of the Ready to Serve fee is the main reason why the single-family home examples' bills increase as much they do, especially the one with small usage.

If all four changes are implemented, the following table contains the average impact of all users based on property type. These amounts are per bill.

User Group	Usage	Current			New			Total Diff	
		Water	Sewer	Total	Water	Sewer	Total	\$	%
Single-family home	14	\$ 120.40	\$ 153.35	\$ 273.74	\$ 127.29	\$ 160.89	\$ 288.18	\$ 14.44	5.3%
Two-family home	34	\$ 285.89	\$ 366.20	\$ 652.09	\$ 326.03	\$ 430.86	\$ 756.89	\$ 104.80	16.1%
Three-family home	42	\$ 353.44	\$ 451.24	\$ 804.68	\$ 418.87	\$ 558.81	\$ 977.67	\$ 172.99	21.5%
Condos	67	\$ 556.91	\$ 711.07	\$ 1,267.98	\$ 589.03	\$ 744.48	\$ 1,333.51	\$ 65.53	5.2%
Apartments (and Other Types)	103	\$ 1,225.33	\$ 2,012.57	\$ 3,237.91	\$ 1,383.09	\$ 2,459.04	\$ 3,842.13	\$ 604.22	18.7%
Non-Residential	105	\$ 1,336.67	\$ 2,266.66	\$ 3,603.33	\$ 1,471.95	\$ 2,635.47	\$ 4,107.42	\$ 504.09	14.0%

The numbers in the table above were determined by averaging all bills for each property type in the year analyzed, which was bills generated in FY 2024. From a percentage impact standpoint, the property types with the largest impact are multi-family homes, apartments, and non-residential accounts. Multi-family homes and apartments are impacted mainly due to billing based on the amended multi-unit dwelling (MUD) policy, as many would change from being billed at the unit level to being billed at the account level. The apartments are also greatly impacted by the tier changes since the accounts' usage may end up in the highest tier more quickly. The same is true for non-residential accounts with medium, large, and very heavy usage. Their usage may end up in the highest tier more quickly.

CONCLUSION

The City of Framingham's Water & Sewer Enterprise Fund needs strong water and sewer rate action in the near future. City staff is well aware of this need and has collaboratively and effectively worked with The Abrahams Group and Weston & Sampson on impactful ways to address this need.

This document outlines the recommended actions for the City to begin to address this need for strong rate action, but, as shown with the results of the updated financial analysis, these actions are only a starting point. The City will need to continue to monitor the state of the Water & Sewer Fund in future years consistently. If the need for additional rate action presents itself in the near future, as projections from the rate study indicate will be the case, the City should continue to update rates as needed in future years. The City should consider forming a committee of municipal water and sewer enterprise leaders and resident representatives to review water and sewer rates annually. It is important that the City's Water Division and Sewer Division can consistently cover its operating budget and has enough retained earnings available to fund important capital improvements.