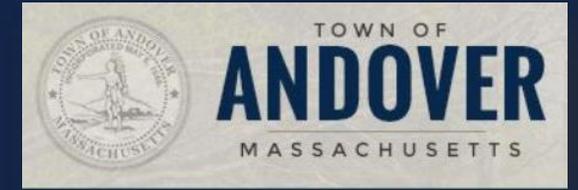




WATER MAIN REPLACEMENT PROGRAM & WATER RATE RECOMMENDATION

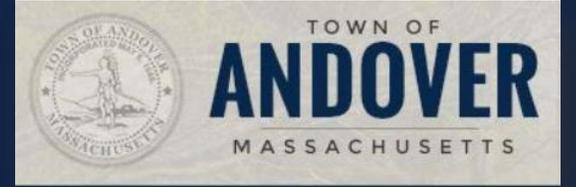
April 8, 2019

OBJECTIVES



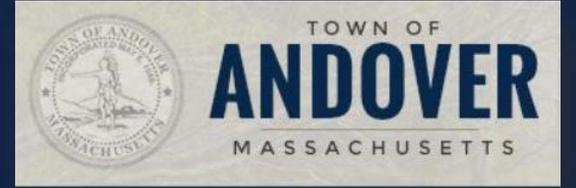
- Accelerate the Water Main Replacement Program – Currently 30 Years (Approx. 27 Years remaining)
- Align Paving Restoration from gas disaster with Water Main Replacement Program
 - 11.9 Miles of cast iron, unlined water mains under impacted roads
- Alleviate brown water condition through increased investment
- Take full advantage of state financing programs

CURRENT RATE PLAN



- 2.5% Annual Increase through FY 2021
- \$3M Annual Investment in Water Main Replacement – 30 Year Program
- Assumes North Reading increases capped at 2.5% through FY 2028 (adjustment to reflect Andover's rate in FY 2029)

RECOMMENDATION



- Fully fund 11.9 miles of water main under impacted (gas disaster) roads beginning in FY 2020 through FY 2023
- Accelerate program over 10 years beginning in FY 2020
- Target full replacement in 15 Years (FY 2034)
- Take advantage of State Revolving Fund Loan Program (SRF) to fund emergency work associated with gas disaster
 - One time opportunity
 - 0% Loan
 - Principal Forgiveness

RECOMMENDATION – RATE STRUCTURE



	Annual Rate Increase (%)	Water Main Replacement (\$)
FY 2020	5%	\$6,000,000
FY 2021	5%	\$6,000,000
FY 2022	5%	\$6,000,000
FY 2023	5%	\$6,000,000
FY 2024	3.5%	\$5,000,000
FY 2025	3.5%	\$5,000,000
FY 2026	3.5%	\$5,000,000
FY 2027	3.5%	\$5,000,000
FY 2028	3.5%	\$5,000,000
FY 2029	NR Full Rate	\$5,000,000

- Fully capitalize on benefits of SRF Program
- Align and integrate water main replacement and paving restoration programs
- Accelerate replacement program by 100% (30 to 15 Years) assuming at least \$5M investment from FY2029-FY2034

Alternative Options

- **\$3M** Annual Investment – Approx. 27 Year Replacement Cycle (2.5% Annual Increase through FY 2021)
- **\$5M** Annual Investment – Approx. 20 Year Replacement Cycle - Accelerate by approx. 7 Years (4% Annual Increase FY 2020 – FY 2039)
- No tolerable option to accelerate beyond 15 Years

RECOMMENDATION – RATE IMPLICATIONS



Level Increase Rates - Water (\$/unit)										
Tier	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Rate increase		5.0%	5.0%	5.0%	5.0%	3.5%	3.5%	3.5%	3.5%	3.5%
1	\$3.05	\$3.20	\$3.36	\$3.53	\$3.71	\$3.84	\$3.97	\$4.11	\$4.25	\$4.40
2	\$3.36	\$3.52	\$3.70	\$3.88	\$4.08	\$4.22	\$4.37	\$4.52	\$4.68	\$4.84
3	\$3.66	\$3.84	\$4.04	\$4.24	\$4.45	\$4.60	\$4.77	\$4.93	\$5.11	\$5.28
Annual Bill	\$373.32	\$391.99	\$411.59	\$432.16	\$453.77	\$469.65	\$486.09	\$503.11	\$520.71	\$538.94
Monthly	\$31.11	\$32.67	\$34.30	\$36.01	\$37.81	\$39.14	\$40.51	\$41.93	\$43.39	\$44.91

- \$9.34 increase over what would have been a 2.5% increase
- \$18.67 increase over FY 2019
- Subject to change per vote of Board of Selectmen