

TOWN OF BELLINGHAM

OFFICE OF THE
DIRECTOR OF THE DEPARTMENT OF PUBLIC WORKS
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WATER AND SEWER SERVICE CHARGE EXPLANATION

We bill our water and sewer customers with a two part bill: the fixed fee portion “Service Charge” and the flow portion “Consumption Rates”. There are many other fees and charges in our billing system, like the Capital Improvement Charge (see the other info sheet), and Fire Service and Hydrant fees, but Service Charge and Rates are the basic charges.

We have the two part billing system because our costs can be clearly separated into FIXED costs and FLOW costs. We use formulas and rate setting procedures established by the American Water Works Association (AWWA) to separate these two costs in our annual budget and rate review analysis.

FIXED Costs (also known as Administrative Costs) are not impacted by the amount of water we supply or the amount of wastewater we collect and treat. Typical FIXED Costs are office and management staff salaries, insurance, etc.

FLOW Costs are in some way impacted by the amount of water we pump or supply to our customers. Typical FLOW Costs are energy and chemicals, but in the AWWA formula also include: field staff salaries, meter recycling, and system repair and maintenance costs.

The Water or Sewer Service Charge is a fee based on the size of the water meter. Although the meter size is used to determine the amount billed it is not a “Meter Charge”. The size of the meter is simply a means to try to divide the FIXED Costs equitably. Typically, larger volume users have larger meters. Using this system, businesses and commercial properties pay their fair share for the higher level of water service they need.

In reality, we have significantly more FIXED Costs on an annual basis. Our Rates are set to help drive water conservation. This is a directive from the MassDEP. If we used true annual costs to set the Service Charge and Rates, we would have a much higher Service Charge and much lower Rates. The annual changes in our FLOW Costs are really only Electricity and Chemicals.

WATER CAPITAL IMPROVEMENT CHARGE EXPLANATION

Why is there is a \$52.50 charge on my quarterly water bill?

In March of 2014 the Board of Selectmen held a public hearing and voted to increase the Capital Improvement Charge from \$26.00 per year for water customers to \$210.00 per year (\$52.50 per quarter), and to start charging seniors at a rate of \$30.00 per year (\$7.50 per customers) .

Why do we need a Capital Improvement Charge?

The Town's water system has typical age related issues. Water billing revenue covers the cost to operate and perform routine maintenance on the water system. Previously, our rates and charges have not been set to generate the needed extra revenue for capital projects needed to improve, update, replace, and renovated our water system.

Why \$210 a year?

This fee will generate approximately a million dollars a year to start a realistic Capital Improvement Plan. We have improvement and replacement projects identified that total \$30 Million. The funds generated by the fee will allow us to start tackling the projects on this list.

Why not just add the fee to the billing rate?

It could have been done. It was discussed extensively with the Selectmen during the rate setting hearings. The Selectmen felt a separate Capital Improvement Charge is better than a usage related billing rate change for several reasons, not the least of which being the separate flat fee is the easiest way to waive the charge for discounted customers.

There is also the hope that someday we will catch up with our capital project needs. The list of needed projects will be cleaned up and we can consider reducing this fee. This is not something that is likely to happen soon; the Capital Plan is a 20 year plan.

Are the funds earmarked for water system improvements?

The funds are as earmarked as any town collected funds can be. Per state laws a town meeting can vote the use of any collected funds for any town project or expense; however, the Selectmen and Finance Office are working to establish a separate account for Water Capital Improvements.

The funds collected from this fee will be voted to a specific project at a Town meeting, usually in October. The DPW will present recommended water capital expenditures to the Selectmen, Capital Improvement Committee, and Finance Committee. If the expenditure is recommended by these boards and committees it moves onto the Town Meeting warrant for a vote.

Are there any grants of other places we can get help covering the capital costs?

The only remaining program is the State Revolving Fund (SRF) loan program. We have and will apply for these loans whenever they make sense, mostly for larger projects. Often our very good bond rating gets us rates nearly as good as the SRF loan rates. The SRF program carries with it ton of red tape and added requirements. If we can do it cheaper it makes sense to proceed without the SFR's extra burdens.

As the only help we could get from higher levels of government are loan programs it is more cost effective for us to collect the funds (revenue from the capital fee) and pay cash for project construction. This allows us to complete project without incurring additional debt costs.

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FIRE SERVICE CHARGE EXPLANATION

The fire service fees for buildings with special water pipes connected the Town water distribution system to a buildings fire sprinkler system, has been part of the water fee and charges system since at least 1969. It is the American Water Works Association suggested practice for water departments to charge fire service fees. It is has been a standard worldwide practice since fees and charges were initiated to fund water departments' operational costs.

Today's charges are in accordance with the Water Service and Connection Fees. All such fees are set and modified by the vote of the Bellingham Board of Selectmen after the close of a rate review.

Fire service fees as well as all water rates and fees are set to try to pay for the service that they provide. The fire service fee, which customers with fire sprinkler systems are charged, is a dollar value based on the size of the pipe feeding the sprinkler system suggested by the DPW and voted by the Board of Selectmen. It is consider a fair and reasonable allocation of the fire protection capabilities of the Town's water supply system.

There is a cost of providing fire protection. The cost is for providing and maintaining a pumping, distribution, and storage system with the capacity to deliver sufficient quantities of water to buildings for their fire sprinkler systems. If a water department only needed to provide water for non-fire protection use, storage tanks and pipe sizes in the system could be cut by more that 50%.

The basis for applying fire service charges to individual building is the fact that a building with a sprinkler system has an improved level of fire protection. Similarly, properties with fire hydrants installed on private land are charged a fee for each hydrant. Without fire protection or private hydrants close to key areas, insurance rates could be significantly higher.

Fire sprinkler systems are typically placed in buildings to comply with State or Local codes or at the request of the building owner. The Fire Department is responsible for approving the size of system based on building size and use.

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FIRE HYDRANT FEE EXPLANATION

The hydrant charge is applied to hydrants connected to the Town water distribution system but installed on private property. This fee has been part of the water fee and charge system since at least 1969. It is the American Water Works Association suggested practice for water departments to charge hydrant fees. It is has been a standard worldwide practice since fees and charges were initiated to fund water departments' operational costs.

Today's hydrant fees are in accordance with the Water Service and Connection Fees these are set and amended by a vote of the Bellingham Board of Selectmen after the close of a rate review hearing.

Hydrant fees as well as all water rates and fees are set to try to pay for the service that they provide. The hydrant fee, which customers with hydrants on their private property (*condos, businesses, shopping plaza, etc.*) are charged, is a dollar value suggested by the DPW and voted by the Board of Selectmen. It is consider a fair and reasonable allocation of the fire protection capabilities of the Town's water supply system.

The majority of the costs of providing fire protection is not related to the maintenance of actual hydrants but is associated with providing and maintaining a distribution and storage system with the capacity to deliver sufficient quantities of water to fight fires. If a water department only needed to provide water for domestic use, storage tanks and pipe sizes in the system could be cut by more that 50%.

The basic grounds for applying hydrant charges to private property owners is the fact that a hydrant on private land provides an improved level of fire protection for that property. Similarly, buildings with fire sprinkler connections are charged a Fire Service charge based on the size of the pipe feeding the sprinkler system. Without fire protection or private hydrants close to key areas, insurance rates could be significantly higher.

Hydrants on private property are typically placed in specific locations at the request of the Fire Department during Planning Board plan review and permitting. The Fire Department selects locations that will provide special or increased fire protection to large buildings, buildings far from the street or communal parking areas.

Only the DPW and Fire Department are authorized to operate any hydrant. The DPW also has the responsibility of maintaining all hydrants and the water system. This maintenance includes periodic testing of hydrants during water main flushing. We also try to paint hydrants but the purely aesthetic effort of hydrant painting is well down on the DPW priority list.