

2011 to 2015

The Home Stretch

Sustainable and Predictable Rate Assessments for Communities and Ratepayers

With both water and wastewater systems having gone through substantial transformations prior to 2011, the real challenge in the “Home Stretch” was managing rate assessment increases while the costs of major projects were paid off through debt service each year. There were points when the Advisory Board and Authority have had an adversarial relationship, like in 2011 when the Advisory Board called for a 0% rate increase with an eventual compromise of 1.49% accepted. After that, the Advisory Board staff and membership reached agreement with the MWRA on an approach aimed at “sustainable and predictable” rate increases, allowing communities to better plan for each year’s budget.

This approach to rate assessment increases was based on the structure of outstanding debt related to previous court-ordered projects and the schedule to pay off that debt. The Advisory Board got onboard with this approach when the MWRA agreed to certain stipulations. First, the Advisory Board pushed for any annual surplus to go toward **defeasing, or pre-paying, future debt service**, targeting the most challenging years for debt service. For example, in its 2012 budget review the Advisory Board put a “bulls-eye” on FY2017, which was considered a challenging year for debt service and a risk for a high rate assessment increase. While initially projected to have a rate increase of 8%, FY2017 now complies with the Advisory Board’s mantra of **“Four No More,”** which means no more combined rate assessment increases over 4% ever again.

Finally, the Advisory Board scored three major victories on behalf of member communities. First, the Advisory Board fought hard for a landmark infrastructure bill, which was passed in 2014 and provided funding for new communities to join the system on the waterworks side by covering half of their entrance fee. Second, the Advisory Board recommended that a new payment plan be accepted for entrance fees to make it easier financially for new communities to join the system; this was adopted by the MWRA Board of Directors in 2014. The third victory was the expansion of the I/I Local Financial Assistance Program, which provides communities funding to do crucial I/I work. The Advisory Board recommended doubling the program from \$40 million phases to \$80 million phases and changing the split of the program from 45% grant and 55% loan to 75% grant and 25% loan. These changes were implemented for Phases 9 and 10.

