



City of Cambridge

Executive Department

YI-AN HUANG
City Manager

CMA 2025 #54
IN CITY COUNCIL
March 24, 2025

To the Honorable, the City Council:

The establishment of the Water/Sewer rates by City Council occurs each March for the next fiscal year. Because of the timing requirements, water and sewer rates are set prior to the adoption of both the Cambridge budget and Massachusetts Water Resources Authority (MWRA) budget; therefore, revenue needs are based upon estimated expenditures. Generally, water and sewer rates have been established so that revenues generated by them, when combined with other related revenue sources, cover projected annual costs.

The water and sewer rate for FY26 reflects the City's continued and increased investments, through operating and capital expenditures, in our water quality, system improvements, distribution, as well as our sewer and stormwater treatment infrastructure. The FY26 water rate will support several important projects and initiatives related to water quality and safety.

Beginning in FY26 and continuing through FY27, the City will replace 3 existing Ozone generators in the treatment plant. Ozone generators are used in primary disinfection during the treatment process to eliminate bacteria and viruses in the water. The new generators will be smaller, easier to maintain, and are more energy-efficient than the existing ozone generators.

In October of 2024, the Mass Department of Environmental Protection's (DEP) Lead and Copper Rule Revision (LCRR) regulation took effect requiring every municipality to complete a Service Line Inventory and submit a Lead Service Line Replacement Plan (LSLRP). In FY26, State Revolving Funds (SRF) will be used to continue implementation of LSLRP to help meet the DEP goal of having all lead water service lines in Massachusetts removed within 5 years.

In FY26 funds from the Water Fund Balance will be used to purchase approximately 51 acres of watershed protection land near the Hobbs Brook reservoir in Lincoln. Working in conjunction with the Lincoln Rural Land Foundation and Farrington properties, this purchase will help establish a total of over 75 acres of permanently protected conservation land within the Cambridge reservoir watershed.

In 2019, the Cambridge Water Department initiated the development of a "PFAS reduction plan." With approval from the Massachusetts Department of Environmental Protection (MassDEP), a bench scale pilot study was developed to determine the best filter media to reduce Per- and Polyfluoroalkyl compound (PFAS) levels. Results indicated that granular activated carbon (GAC) to be the best method to significantly reduce Cambridge's PFAS concentrations. American Rescue Plan Act (ARPA) funds were used for this purpose initially, and are anticipated to be used in FY26, with future costs projected to be approximately \$1.1 million per year.



As a requirement of water quality variances issued by the Massachusetts Department of Environmental Protection and United States Environmental Protection Agency for the Charles River and Alewife Brook/ Mystic River, the Department of Public Works, along with City of Somerville and the Massachusetts Water Resources Authority are developing a new long term combined sewer overflow control plan. This combined sewer control plan is being developed to improve the water quality in these receiving waters particularly after heavy rainfall. Larger and more intense rainfall events due to climate change are being used to evaluate future projects to control combined sewer overflow discharges. Funding to begin design of future combined sewer overflow projects is included in FY26.

FY26 funds will also be used by the Department of Public Works to continue sewer and drain system infrastructure renewal and rehabilitation programs at various locations including River St/ Western Ave area and the Port Neighborhood. Funds will also be used for city-wide pipe and structure rehabilitation projects including in place lining of the 96" combined sewer on Binney Street originally constructed in the 1890s.

The FY26 water rate is consistent with what was projected last year and includes funding for Water Department operations and capital investments including water works construction projects, treatment plant upgrades, and lower than projected use of the water fund balance in FY26.

The FY26 sewer budget is slightly lower than what was projected last year. It should be noted that the Sewer Budget is comprised mostly of fixed costs such as debt service and the MWRA assessment, which totals 79% of the total Sewer Budget.

The Water/Sewer bills that will be issued in July 2025 will be for the usage period April-June 2025 and will reflect the new water and sewer rates.

RECOMMENDATIONS

The City administration and City Council continue to recognize the importance of minimizing increases in water and sewer rates. I recommend that the City Council approve an 8.2% increase in the water consumption block rate and a 6.5% increase in the sewer use block rate, resulting in a 6.9% increase in the combined rate for the period beginning April 1, 2025, and ending March 31, 2026. In last year's recommendation, the projected FY26 rate increases for water, sewer, and combined were 8.21%, 6.6%, and 6.98%, respectively, based on March 2024 consumption rates and projected budgets.

WATER

Two major factors determine the rate necessary to generate enough revenues: water consumption and the budget. The FY26 Water Operating Budget reflects an increase from the FY25 Budget primarily due to costs related to salaries and benefits, as well as the capital budget and debt service increases related to water construction bonds.

In the fall of 2024, the Massachusetts Northeast region, which includes Cambridge, experienced a critical drought and per state regulation, water restrictions were put in place. These restrictions impacted revenues received which were lower than projected.

The FY26 capital allocation is \$4,452,385 using pay-as-you-go capital funding based on current revenues. Debt service costs for water construction bonds are \$579,811. FY26 capital projects consist of significant improvements to our water system including water mains; lead service line removal; Fresh Pond Master Plan implementation; replacement of ozone generators; and treatment plant equipment and upgrades.

Water and sewer revenues are generally linked to water consumption, with sewer costs comprising approximately 78% of total water and sewer expenditures. Year to date (YTD) water consumption is 4.9% higher in FY25 compared to FY24.

Table 4 indicates the details of Water Fund projected revenues and expenditures for FY25-30. Table 7 shows actual Water Fund balances for FY20-24 and the projected balance for FY25.

SEWER

The FY26 Sewer Budget reflects a \$3,536,888 increase from the FY25 Projected Budget. This includes the MWRA assessment, debt service payments, capital, and the sewer component of the Public Works budget. Debt service on sewer bonds and the MWRA assessment account for 76% of the total FY26 Sewer Budget.

The preliminary FY26 MWRA assessment is scheduled to increase by \$1,661,762 or 5.3% from the final FY25 assessment. The MWRA rate increase projected for the City is subject to change based on the MWRA budget, which is adopted later in spring 2025. These changes have typically been minor in past years. Unlike the water budget, sewer revenues are credited to the general fund and not to a separate proprietary fund that can be drawn upon if the need arises.

Included in the water and sewer budgets are debt service costs attributable to the \$3,640,000 (water) and \$17,885,000 (sewer) general obligation bonds (net of premium) issued in March 2025, used to fund water works construction projects, ozone generator replacement, and treatment plant equipment, as well as sewer projects in the Port, on River Street, as well as for capital repairs and climate change projects. The FY26 capital allotment of \$10,800,000 in sewer revenues will continue to finance the remedial reconstruction program.

The City Council has authorized significant investments in the water and sewer systems to ensure Cambridge continues to benefit from a healthy and environmentally sound water and sewer system. In addition to the projects currently under way, the City's five-year capital plan cost (FY26-30) calls for an additional investment of approximately \$257,529,372 (primarily sewer, \$218,350,821) in the water and sewer systems. The City carefully monitors the issuance of debt to fund authorized sewer projects and takes advantage of State MWRA interest free loans and grants to ensure that debt service cost increases, which impact the sewer rate, remain moderate.

The FY26-30 capital plan includes other projects that may be eligible for subsidized loans from the state. As in past years, it is not certain that these projects will receive state subsidies and the debt service on these projects has been calculated based on funding through general obligation bonds. If state subsidies become available to the City, they will be used to lower the sewer rate in future years. Table 5 shows the detail of sewer-related expenditures and revenues for FY25-30.

COMBINED WATER & SEWER

The table below reflects the projected combined water and sewer metered revenue requirements needed to cover water and sewer expenditures.

TABLE 1

| | FY25 Projected | FY26 Budget | % Change |
|--------------------------------|-----------------------|--------------------|-----------------|
| Water | \$18,843,514 | \$20,387,942 | 8.2% |
| Sewer | \$71,523,946 | \$76,195,840 | 6.5% |
| Combined Water / Sewer Revenue | \$90,367,460 | \$96,583,782 | 6.9% |

FY26 budgeted revenues are based on FY25 projected collections and reflect our practice of conservative revenue projections.

The table below reflects the FY25 actual and FY26 proposed water and sewer rates.

TABLE 2

| | Annual Consumption* | FY25 Water Rate | FY26 Proposed Water Rate | FY25 Sewer Rate | FY26 Proposed Sewer Rate |
|----------------|----------------------------|--------------------------------|---|--------------------------------|---|
| Block 1 | 0 – 40 CcF | \$3.55 | \$3.84 | \$16.07 | \$17.12 |
| Block 2 | 41 – 400 CcF | \$3.79 | \$4.10 | \$16.99 | \$18.10 |
| Block 3 | 401 – 2,000 CcF | \$4.03 | \$4.36 | \$18.26 | \$19.45 |
| Block 4 | 2,001 – 10,000 CcF | \$4.28 | \$4.63 | \$19.65 | \$20.93 |
| Block 5 | Over 10,000 CcF | \$4.65 | \$5.03 | \$20.89 | \$22.25 |

*All rates are per CcF. CcF is an abbreviation of 100 cubic feet. One CcF is approximately 750 gallons.

The table below reflects the average change to combined water and sewer residential bills.

TABLE 3

| Residential Type | FY25 Average | FY26 Projected | Annual Variance | % Change |
|-------------------------|---------------------|-----------------------|------------------------|-----------------|
| Single Family | \$1,183 | \$1,265 | \$82 | 6.9% |
| Two Family | \$1,570 | \$1,678 | \$108 | 6.9% |
| Three Family | \$2,313 | \$2,473 | \$160 | 6.9% |

SENIOR DISCOUNT PROGRAM

There are currently 2,565 homeowners who qualify for the age 65+ water/sewer 15% discount (not to exceed \$90 annually), which is not tied to the homeowner's income.

There are also 37 elderly homeowners who qualify for an income-based discount of 30% (not to exceed \$180 annually). To qualify for the 30% discount, a homeowner must be 65 or older and must have been granted the Clause 41C elderly real estate exemption. For FY25, the income guidelines are as follows: single, income of \$33,288 with assets of \$66,571 or less; married, income of \$49,932 with assets of \$91,536 or less.

FUTURE OUTLOOK FOR RATES

The City continues to work to produce moderate water and sewer rate increases. The average annual increases for the FY22-26 period are as follows: water, 4.9%; sewer, 6.5%; and combined, 6.2%. The average annual increases for the FY17-26 period are as follows: water, 2.5%; sewer, 6.4%; and combined, 5.4%.

Tables 4, 5, 6 and 7 contain five-year forecasts for water, sewer, and combined revenue estimates as well as Water Fund balances for the past five years and the projected FY25 Fund Balance. The City will continue to review appropriate use of Fund Balance for a specific project, or to lower the rate.

As can be seen in Table 6, the annual combined water/sewer rate is projected to increase by an average of approximately 7.4% for FY26-30. The projected increase is the result of the City's commitment to bonding sewer infrastructure improvement projects as well as water construction projects and increases in the MWRA assessment. If the increases in MWRA assessment are moderate, the rate increases that are shown will be lowered. Conversely, if consumption decreases, there will be a negative effect on water and sewer revenues.

Our water and sewer program is structured to produce reasonable rate increases in the future. The goal of the City Administration and City Council is to minimize the effects of water and sewer rate increases on residents as much as possible, while continuing to provide major investment in our infrastructure.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Yi-An Huang', with a stylized flourish at the end.

Yi-An Huang
City Manager

TABLE 4

FY25-30 Water Projections

| | FY25 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Budget/Recap | Projected | Budget | Projected | Projected | Projected | Projected |
| Water Expenditures: | | | | | | | |
| Operating (incl. fringe benefits) | 16,247,475 | 15,274,660 | 16,374,800 | 17,029,792 | 17,710,984 | 18,419,423 | 19,156,200 |
| Subtotal Operating Budget | 16,247,475 | 15,274,660 | 16,374,800 | 17,029,792 | 17,710,984 | 18,419,423 | 19,156,200 |
| Capital | 3,890,000 | 3,890,000 | 4,452,385 | 4,355,502 | 4,564,777 | 4,657,566 | 5,204,244 |
| Capital- Land Purchase | - | 800,000 | - | - | - | - | - |
| Capital GAC filter media replacement | - | - | - | 1,100,000 | 1,100,000 | 1,350,000 | 1,350,000 |
| Capital - Water Works Construction bonds | - | - | 579,811 | 1,731,250 | 2,496,500 | 3,003,050 | 3,233,465 |
| Finance | 225,000 | 225,000 | 225,000 | 225,000 | 225,000 | 225,000 | 225,000 |
| Conservation | 64,337 | 64,337 | 65,945 | 67,594 | 69,284 | 71,016 | 72,791 |
| Public Works | 400,000 | 400,000 | - | - | - | - | - |
| Community Development | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Animal Commission | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Total Expenditures | 20,866,812 | 20,693,997 | 21,737,942 | 24,549,138 | 26,206,545 | 27,766,055 | 29,281,701 |

Assumptions:

- 1) Operating Budget for FY26 is based on City Manager's Submitted Budget and increases 4% for FY27-30.
- 2) Debt Service decreases according to Debt Service Schedule.
- 3) Capital as shown.
- 4) Public Works funded through sewer rate starting in FY26
- 5) All others remain constant from FY26-30, but Conservation will increase by 2.5%.
- 6) GAC filter media replacement - \$1.1M from ARPA funds will be used in FY26 (then \$1.1M in FY27-FY28 and \$1.35M FY29-FY30).
- 7) Retained earnings (fund balance) used - as shown

| Financing Plan | FY25 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
|------------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Budget/Recap | Projected | Budget | Projected | Projected | Projected | Projected |
| Beginning Fund Balance | 4,572,379 | 4,572,382 | 3,821,899 | 3,571,899 | 2,371,899 | 1,621,899 | 1,621,899 |
| Revenue: | | | | | | | |
| Meter Revenue | 19,766,815 | 18,843,514 | 20,387,942 | 22,249,138 | 24,356,545 | 26,666,055 | 28,181,701 |
| Miscellaneous Water Charges | 1,100,000 | 1,100,000 | 1,100,000 | 1,100,000 | 1,100,000 | 1,100,000 | 1,100,000 |
| From Fund Balance | - | 800,000 | 250,000 | 1,200,000 | 750,000 | - | - |
| Total Revenue | 20,866,815 | 20,743,514 | 21,737,942 | 24,549,138 | 26,206,545 | 27,766,055 | 29,281,701 |
| Total Expenditures | 20,866,812 | 20,693,997 | 21,737,942 | 24,549,138 | 26,206,545 | 27,766,055 | 29,281,701 |
| From Fund Balance | - | 800,000 | 250,000 | 1,200,000 | 750,000 | - | - |
| Ending Fund Balance | 4,572,382 | 3,821,899 | 3,571,899 | 2,371,899 | 1,621,899 | 1,621,899 | 1,621,899 |
| Projected Rate Increase | | | 8.2% | 9.1% | 9.5% | 9.5% | 5.7% |

TABLE 5
FY25-30 Sewer Projections

| | FY25 Budget/Recap | FY25 Projected | FY26 Budget | FY27 Projected | FY28 Projected | FY29 Projected | FY30 Projected |
|------------------------------|------------------------------|---------------------------|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Sewer Expenditures: | | | | | | | |
| Public Works | 7,772,899 | 7,772,899 | 7,871,016 | 8,185,857 | 8,513,291 | 8,853,823 | 9,207,975 |
| Capital | 7,000,000 | 7,000,000 | 10,800,000 | 10,250,000 | 8,000,000 | 8,000,000 | 8,500,000 |
| Existing Debt | 27,508,815 | 27,508,815 | 22,899,824 | 19,080,450 | 16,211,850 | 13,978,950 | 11,869,747 |
| New Debt | - | - | 2,586,000 | 9,667,400 | 19,204,800 | 25,662,200 | 31,639,600 |
| Finance | 225,000 | 225,000 | 225,000 | 225,000 | 225,000 | 225,000 | 225,000 |
| Community Development | 44,500 | 44,500 | 44,500 | 44,500 | 44,500 | 44,500 | 44,500 |
| MWRA | 30,600,984 | 31,407,738 | 33,069,500 | 34,888,323 | 36,807,180 | 38,831,575 | 40,967,312 |
| Total Expenditures | 73,152,198 | 73,958,952 | 77,495,840 | 82,341,529 | 89,006,621 | 95,596,048 | 102,454,134 |

Assumptions:

- 1) The FY26 MWRA assessment is based on the preliminary estimate received from the MWRA
- 2) FY27-30 assessments are based on annual rate increases of 5.5%.
- 3) Public Works allocation increases by 4% in FY25-28.
- 4) Capital as shown.
- 5) Debt Service increases according to Debt Service schedule.
- 6) All others remain constant.

| Financing Plan | FY25 Budget/Recap | FY25 Projected | FY26 Budget | FY27 Projected | FY28 Projected | FY29 Projected | FY30 Projected |
|--|------------------------------|---------------------------|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Revenue: | | | | | | | |
| Sewer Service Charge | 71,852,198 | 71,523,946 | 76,195,840 | 80,941,529 | 87,606,621 | 94,096,048 | 100,954,134 |
| Non- Metered Sewer Revenues | 1,300,000 | 1,300,000 | 1,300,000 | 1,400,000 | 1,400,000 | 1,500,000 | 1,500,000 |
| Total Revenue | 73,152,198 | 72,823,946 | 77,495,840 | 82,341,529 | 89,006,621 | 95,596,048 | 102,454,134 |
| Projected Sewer Service Charge Increase | | | 6.5% | 6.2% | 8.2% | 7.4% | 7.3% |

TABLE 6
Combined Water and Sewer
FY25-30

| | FY25 Budget/recap | FY25 Projected | FY26 Budget | FY27 Projected | FY28 Projected | FY29 Projected | FY30 Projected |
|------------------------------|------------------------------|---------------------------|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Metered Water Revenue | 19,766,815 | 18,843,514 | 20,387,942 | 22,249,138 | 24,356,545 | 26,666,055 | 28,181,701 |
| Metered Sewer Revenue | 71,852,198 | 71,523,946 | 76,195,840 | 80,941,529 | 87,606,621 | 94,096,048 | 100,954,134 |
| Total | 91,619,013 | 90,367,460 | 96,583,782 | 103,190,668 | 111,963,166 | 120,762,103 | 129,135,835 |
| % increase | - | - | 6.9% | 6.8% | 8.5% | 7.9% | 6.9% |

TABLE 7
Water Fund Balances
FY20-25

| | As of 6/30/20 (Actual) | As of 6/30/21 (Actual) | As of 6/30/22 (Actual) | As of 6/30/23 (Actual) | As of 6/30/24 (Actual) | As of 6/30/25 (Projected) |
|---------------------------|---|---|---|---|---|--|
| Water Fund Balance | 12,221,893 | 10,799,427 | 8,690,099 | 5,083,283 | 6,572,379 | 3,821,899 |



City of Cambridge

Agenda Item Number 1
IN CITY COUNCIL
MARCH 24, 2025

ORDERED: That the following block rate for water consumption and sewer use in the City of Cambridge be in effect for the period beginning April 1, 2025 and ending March 31, 2026:

| | Annual Consumption* | FY25 Water Rate | FY26 Proposed Water Rate | FY25 Sewer Rate | FY26 Proposed Sewer Rate |
|----------------|----------------------------|--------------------------------|---|--------------------------------|---|
| Block 1 | 0 – 40 CcF | \$3.55 | \$3.84 | \$16.07 | \$17.12 |
| Block 2 | 41 – 400 CcF | \$3.79 | \$4.10 | \$16.99 | \$18.10 |
| Block 3 | 401 – 2,000 CcF | \$4.03 | \$4.36 | \$18.26 | \$19.45 |
| Block 4 | 2,001 – 10,000 CcF | \$4.28 | \$4.63 | \$19.65 | \$20.93 |
| Block 5 | Over 10,000 CcF | \$4.65 | \$5.03 | \$20.89 | \$22.25 |

*All rates are per CcF. CcF is an abbreviation of 100 cubic feet. One CcF is approximately 750 gallons; and be it further

ORDERED: That the Senior Citizens Discount Program gives either a 15 percent or 30 percent discount on water/sewer bills, depending upon certain qualifications. Any resident who owns and occupies his/her own home and who is 65 or older on July 1 qualifies for the 15 percent discount. This discount may not exceed \$90 for the fiscal year.

To qualify for the 30 percent discount, a homeowner must be 65 years of age or older and must have been granted the Clause 41C Elderly Real Estate Exemption, which is based on the demonstrated financial need. This discount may not exceed \$180 for the fiscal year.