

March 21, 2022

John V. Scenna
Superintendent
Lynnfield Center Water District
83 Phillips Road
Lynnfield, MA 01940

Dear Mr. Scenna,

Raftelis recently completed an analysis to determine the required changes to the Lynnfield Center Water District's (District) water rates to maintain financial sufficiency for fiscal year (FY) 2023. Working with you and other District staff, Raftelis was able to update the rate model which was developed for the District during a prior rate study. The rate model takes into consideration the District's proposed revenue requirements, customer accounts, consumption, and assessed values, as well as existing rates. The District underwent an analysis of various budget amounts for FY 2023, attempting to ensure safe and sustainable service for customers, while at the same time mitigating impacts to customers. Although the District analyzed the rate impacts of a FY 2023 budget of as low as \$2.60 million, it was determined that due to significant fixed costs, mainly associated with debt service, that a minimum budget of \$2.85 million would be required for FY 2023.

A portion of the revenue recovered to support that budget will be generated from taxes. The District's Board voted in late 2021 to maintain a tax rate of \$0.43 per \$1,000 of assessed value. Although the Board has the authority to change the tax rate again later this year, it is the desire of the District to not have to do so. A tax rate of \$0.43 generates approximately \$1.0 million, leaving approximately \$1.85 million to be recovered through water rates, both volumetric and fixed. This results in approximately 35% of the District's revenues being generated through taxation, with the remaining 65% through water rates. It has been decided by the District to not increase its current fixed charges, and as such, all additional revenue will need to be collected from volumetric rates. The following table presents the required FY 2023 rates as compared to FY 2022 rates.

RATE COMPONENT	FY 2022	FY 2023
Volumetric Tier 1: 0-24 Kgal	\$6.77	\$9.13
Volumetric Tier 2: > 24 Kgal	\$16.93	\$22.84
Quarterly Fixed - Residential	\$25.00	\$25.00
Quarterly Fixed - Other	\$50.00	\$50.00

The new rates in FY 2023, combined with an unchanged tax rate, will result in various customer impacts depending on the amount of water consumed and a customer's assessed property value. To provide an example customer impacts, a typical residential customer bill was utilized. A typical residential customer uses approximately 15 thousand gallons (Kgal) per quarter, and has an assessed value of approximately \$670k. This typical customer is currently paying approximately \$818 per year for water service, including both the rate and tax portions of the customer's bills. Given the new FY 2023 rates, that same customer will now be paying approximately \$937. This amounts to an annual increase of approximately \$119, or 14.5%.

As always, we appreciate the opportunity to be of assistance to you and the District. Should you have any questions surrounding this year's rate study, please do not hesitate to contact me.

Sincerely,
RAFTELIS FINANCIAL CONSULTANTS, INC.



Dave Fox
Senior Manager