

Town of Harwich Utilities Reorganization Study

Harwich Water Department
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Purpose

- Make recommendations for the most appropriate way for the Town of Harwich to manage the impending wastewater project:
 - \$86.0 to \$95.6 million in collection costs
 - \$28.1 to \$37.0 million in treatment costs
 - \$2.2 to \$3.3 million in annual O&M costs

Note:

Based on the Harwich Water Quality Management Task Force Wastewater Management Subcommittee estimated costs for Options 3A, 4A and 5A (\$123.0 to \$123.7 million in capital cost)

Existing Debt Service Analysis

FY2013 Budget Item	"A" Non-School Municipal	"B" MRSD ⁽¹⁾	"C" Harwich Water Dept.	"A"+"B"	"A"+"B"+"C"
Total Budget	\$29,814,234	\$22,233,305	\$3,495,247	\$52,047,539	\$55,542,786
Debt Service	\$4,076,198	\$1,328,151	\$743,631	\$5,404,349	\$6,147,980
% Debt Service	13.7%	6.0%	21.3%	10.4%	11.1%

Note: (1) The estimated MRSD debt service includes a new \$60,000,000 regional school, 50.32% State Financing of the new school and a 72% Harwich share of the balance.

Estimated Debt Service Impacts

FY2013 Budget Item	"A" Non-School Municipal with Sewer Capital	"B" MRSD ⁽¹⁾	"C" Harwich Water Dept. with Sewer Capital	"A"+"B"	"A"+"B"+"C"
Total Budget	\$39,484,284	\$22,233,305	\$13,165,297	\$61,717,589	\$65,212,836
Debt Service	\$13,746,248	\$1,328,151	\$10,413,681	\$15,074,399	\$15,818,030
% Debt Service	34.8%	6.0%	79.1%	24.4%	24.3%
Existing % Debt Service	13.7%	6.0%	21.3%	10.4%	11.1%
Change in Debt Service	21.1%	0.0%	57.8%	14.0%	13.2%
% Change	154.6%	0.0%	271.8%	135.2%	119.1%

Note: ⁽¹⁾ The estimated MRSD debt service includes a new \$60,000,000 regional school, 50.32% State Financing of the new school and a 72% Harwich share of the balance.

Estimated Debt Service Summary

- Existing Debt Service: 11.1%
 - Includes HWD and MRSD impacts
- Phasing Wastewater: Debt Service rises to 16.4%
 - Funding \$45 million over 20 years
- Full Wastewater: Debt Service rises to 24.3%
 - Funding \$123.5 million over 20 years

Determining Criteria

- Rate Payer Accountability and Technical Competence
- Optimizing Flexibility, in the event of possible
 - Regionalization
 - Privatization (i.e. Chatham)
 - Districting (i.e. Mashpee)
- Financial Implications, including
 - Capital Impacts
 - Annual Operations and Maintenance Costs
- Ease of Implementation
- Regulatory Considerations

Rate Payer Accountability and Technical Competence

- Managers having a direct link to the sewer rate payers (i.e. Elected Board of Sewer Commissioners)
- Managers who are qualified in the field of wastewater, large capital project implementation and enterprise fund management
- Direct linkage between costs and the revenue stream (i.e. sewer rates)
- Streamlining costs to maximum possible extent
- Full public access through regular meetings and reporting

Optimizing Flexibility

- Important to develop a wastewater management structure that can adapt to the changing regulatory environment and that has the flexibility to gravitate to potential more cost-effective solutions over time
 - Regionalization could present itself as an optimal solutions in the event that the Town can realize the economies of scales of merging with other municipal systems, such as with Chatham
 - Isolating the debt service in the event the Town choses to peel away the wastewater burden into a District or through privatization

Financial Implications

- The financial implications both in terms of the impending capital impacts and the annual O&M costs is a significant factor
- Harwich currently enjoys a high bond rating and its citizens have come to expect a high quality of life
- This has been advanced with recent investments in the Town's water system and steps to improve the local schools through the MRSD
- Care must be taken to avoid implementing the CWMP in a manner that will have negative impacts on the advances that the Town has made and to avoid negative impacts on any department

Ease of Implementation

- The process required to establish the sewer management structure could require:
 - New acts (or amendments) of the legislature,
 - Revision to local bylaws and Town Meeting votes,
 - Revisiting of the local rules and regulations
- The ability of the Town to establish the wastewater organization and rules in a timely manner needs to be considered

Regulatory Considerations

- The DEP, and to a lesser extent the EPA, will be playing a critical role in overseeing the proposed CWMP activities.
 - The DEP is also heavily involved with water and stormwater activities and will closely monitor any impacts of the new sewer operations on the existing water quality, particularly through the groundwater discharge permitting process.
- The Harwich Board of Health will also be involved and play a critical role in determining which Title 5 connections require connection, which connections can be delayed and which systems can remain under Title 5.

Options

- **Option 1** - Establishing an independent Harwich Sewer Department with a new betterment/enterprise fund (maintaining the status quo for existing divisions, agencies and departments);
- **Option 2** – Incorporating sewer operations under the primary Town structure, under the Selectmen and Town Administrator;
- **Option 3** - Creating a combined Water and Sewer Department under a Board of Water and Sewer Commissioners (amending the Special Act of 1935 and keeping other local departments the same);
- **Option 4** - Incorporating both water and sewer into the primary Town structure;
- **Option 5** – Incorporating sewer into the primary Town structure and creating a new independent Water District; and
- **Option 6** - Creating a new independent Water and Sewer District, and keeping other local departments the same.

Option 1

Stand Alone Harwich Sewer Department

- Create a new three-member Sewer Commission (similar to the existing Water Commission)
- Establish a new sewer enterprise fund
- Sewer Commissioners would be elected on a regular basis
- Sewer Commissioners would oversee the operations of a new Harwich Sewer Department and set rates accordingly.
- The new personnel would include the following:
 - Three Part-time Commissioners
 - One Sewer Superintendent
 - Three administrative assistants (for Billing and Customer Service)
 - Three positions for sewer treatment and testing
 - Three positions for sewer collection system maintenance

Option 2

Harwich Sewer Department Under Existing Town Structure

- Establish a new sewer enterprise fund within the existing Town Structure (i.e. DPW)
- Board of Selectmen would oversee the operations of the new Harwich Sewer Department and set rates accordingly
- The new personnel would include the following:
 - One Sewer Superintendent
 - Three administrative assistants (for Billing and Customer Service)
 - Three positions for sewer treatment and testing
 - Three positions for sewer collection system maintenance

Option 3

Combined Water & Sewer Department

- Establish a new or amended enterprise fund within the existing Town Structure, under a combined Water & Sewer Department
- Add two elected Commissioners to the existing 3 member board
- Water and Sewer Board would oversee the operations of the combined department and set rates accordingly
- The new personnel would include the following:
 - Two positions for sewer treatment and testing
 - Two positions for sewer collection system maintenance

Option 4

Water & Sewer Under a DPW

- Abolish the existing Water Board and place both the water and sewer departments under the control of the Board of Selectmen
- Board of Selectmen to control both water and sewer enterprise funds
- Board of Selectmen would oversee the operations of the combined department and set rates accordingly
- The new personnel would include the following:
 - DPW Director
 - Two positions for sewer treatment and testing
 - Two positions for sewer collection system maintenance

Option 5

Sewer Under DPW and a New Water District

- Establish a new sewer enterprise fund within the existing Town Structure (i.e. DPW) and privatize the Harwich Water Department
- Board of Selectmen would oversee the operations of the new Harwich Sewer Department and set rates accordingly
- Create a new Harwich Water District
- The new personnel would include the following:
 - One Sewer Superintendent
 - Three administrative assistants (for Billing and Customer Service)
 - Three positions for sewer treatment and testing
 - Three positions for sewer collection system maintenance
- Privatize Water Department Staff

Option 6

Private Water & Sewer District

- Privatize both the water and sewer operations
- New Board of Water and Sewer Commissioners would oversee the operations of a private Water and Sewer District and set rates accordingly
- No additional staff added to the Town structure
- New private personnel would include the following:
 - Two positions for sewer treatment and testing
 - Two positions for sewer collection system maintenance
- Privatize Water Department Staff

Recommendations

- Option 1 – Stand Alone Sewer Department
 - ✓ Provides for a high level of rate payer accountability and technical competence, very flexible, cost containment, implementation is isolated and regulatory (wastewater) focused
- Option 3 – Combined Water and Sewer Department
 - ✓ Provides for a high level of rate payer accountability and technical competence, very flexible, cost containment & synergies realized, isolates implementation impacting water and sewer and regulatory focused
 - ✓ Estimated \$500,000 O&M Cost Savings

Option 1 Implementation

- Municipalities are empowered to “lay out, construct, maintain and operate a system or systems of common sewers in public or private ways” and any related appurtenances thereto (M.G.L. c. 83)
- Carried out by the selectmen, sewer commissioners or road commissioners of a town per M.G.L. c. 83, § 1. Rights and powers necessary to acquire land, construct improvements and assess necessary betterments, fees and charges for sewer are provided within the M.G.L.
- Two Implementation Avenues:
 - **Charter Amendment** authorizes a new Sewer Commission to assume the sewer functions authorized by M.G.L. c 83. Amendments to charters previously adopted may be proposed by a two-third vote of a Town Meeting
 - **Special Act of the Legislature** can be filed as a bill by a member of the state legislature and is “shepherded’ through the legislature by him/her. The bill will then proceed through the legislative process in the same manner as other legislation

Option 3 Implementation

- The existing Board of Water Commissioners was established by the Acts of 1935
- The expanded five person Water and Sewer Commission can be created two ways:
 - through revising the existing Acts of 1935, or
 - through creating an entirely new special act for a Water and Sewer Commission.

Questions