2020 WATER & SEWER RATE UPDATE

Millis Department of Public Works
Project Lead: Mike Schrader
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Affordability
INTRODUCTION: RATE SETTING PRINCIPALS & GOALS

1. Recover full cost of service
   - All Requirements Met
   - Fully Staffed
   - Proactive Repair & Maintenance

2. Distribute costs equitably
   - Residential vs Non-Residential
   - Large Households vs Small Households
   - Essential Use vs Discretionary Use

3. Provide revenue stability & resource protection
   - Usage Trends
   - Rate Design
   - Permit Limits
2020 UPDATE: METHODOLOGY

Update Previously Developed Water & Sewer Financial Models

1. Update Projected Expenses
   - Budget to Actuals
   - Debt Schedule
   - Capital Plan

2. Update Projected Revenues
   - Meter Data
   - Rate History
   - Revenue Report

3. Calculate net revenue
4. Adjust rates to maintain fund balance
5. Calculate user costs
6. Evaluate affordability

Dashboard

Operating Expenses
Existing Debt
CIP
# 2020 UPDATE: WATER ENTERPRISE

### Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>$368,237</td>
<td>$348,355</td>
<td>$391,180</td>
<td>$400,960</td>
<td>$410,983</td>
<td>$421,258</td>
<td>$431,790</td>
<td>$442,584</td>
<td>$453,649</td>
<td>$464,990</td>
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<tr>
<td>Contract Services</td>
<td>$44,407</td>
<td>$42,000</td>
<td>$42,000</td>
<td>$43,050</td>
<td>$44,126</td>
<td>$45,229</td>
<td>$46,360</td>
<td>$47,519</td>
<td>$48,707</td>
<td>$49,925</td>
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<tr>
<td>Miscellaneous</td>
<td>$31,479</td>
<td>$34,033</td>
<td>$34,958</td>
<td>$35,832</td>
<td>$36,728</td>
<td>$37,646</td>
<td>$38,587</td>
<td>$39,552</td>
<td>$40,541</td>
<td>$41,554</td>
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<tr>
<td>Purchase of Services</td>
<td>$14,655</td>
<td>$34,000</td>
<td>$34,000</td>
<td>$34,000</td>
<td>$34,000</td>
<td>$34,000</td>
<td>$34,000</td>
<td>$34,000</td>
<td>$34,000</td>
<td>$34,000</td>
</tr>
<tr>
<td>Indirect Expenses</td>
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<td>$247,840</td>
<td>$254,036</td>
<td>$260,387</td>
<td>$266,987</td>
<td>$273,669</td>
<td>$280,408</td>
<td>$287,418</td>
<td>$294,604</td>
<td>$301,969</td>
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</table>

**Subtotal**

|                      | $976,800 | $975,027 | $1,034,709 | $1,061,119 | $1,088,232 | $1,116,065 | $1,144,639 | $1,173,972 | $1,204,086 | $1,235,001 |

**CIP/Debt**

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Funded Capital</td>
<td>$375,982</td>
<td>$0</td>
<td>$199,921</td>
<td>$569,921</td>
<td>$199,921</td>
<td>$268,021</td>
<td>$215,617</td>
<td>$150,076</td>
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<td>Existing Debt</td>
<td>$375,982</td>
<td>$463,651</td>
<td>$460,936</td>
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<td>$397,270</td>
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<td>$236,070</td>
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<td>New Debt Service</td>
<td>$0</td>
<td>$187,336</td>
<td>$180,084</td>
<td>$216,491</td>
<td>$334,411</td>
<td>$301,224</td>
<td>$297,345</td>
<td>$293,460</td>
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</table>

**Subtotal**

|                      | $751,964 | $650,587 | $796,943 | $1,201,432 | $931,602 | $939,090 | $749,032 | $599,781 | $594,440 | $590,544 |

### TOTAL EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Revenue</td>
<td>$1,042,542</td>
<td>$1,429,203</td>
<td>$1,448,842</td>
<td>$1,518,999</td>
<td>$1,592,472</td>
<td>$1,660,983</td>
<td>$1,673,950</td>
<td>$1,687,110</td>
<td>$1,700,469</td>
<td>$1,714,027</td>
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<tr>
<td>Non-Rate Revenue</td>
<td>$664,428</td>
<td>$267,793</td>
<td>$269,882</td>
<td>$277,346</td>
<td>$285,162</td>
<td>$292,450</td>
<td>$293,830</td>
<td>$295,230</td>
<td>$296,651</td>
<td>$298,093</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$1,706,971</td>
<td>$1,697,096</td>
<td>$1,718,724</td>
<td>$1,796,345</td>
<td>$1,877,634</td>
<td>$1,953,434</td>
<td>$1,967,780</td>
<td>$1,982,340</td>
<td>$1,997,120</td>
<td>$2,012,121</td>
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### Net Revenue (Revenue-Expense)

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Revenue</strong></td>
<td>$(21,794)</td>
<td>$222,407</td>
<td>$(112,928)</td>
<td>$(466,207)</td>
<td>$(142,200)</td>
<td>$(101,722)</td>
<td>$74,109</td>
<td>$208,588</td>
<td>$198,594</td>
<td>$186,576</td>
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<tr>
<td><strong>Retained Earnings Balance</strong></td>
<td>$863,466</td>
<td>$1,085,673</td>
<td>$972,946</td>
<td>$506,738</td>
<td>$345,538</td>
<td>$262,816</td>
<td>$336,925</td>
<td>$545,513</td>
<td>$748,107</td>
<td>$980,684</td>
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### Proposed Water Rates

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<th>FY21</th>
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<tr>
<td>1SW58</td>
<td>Quarterly Fee</td>
<td>$25.76</td>
<td>$25.76</td>
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<tr>
<td>3SWRG5</td>
<td>Quarterly Fee</td>
<td>$25.76</td>
<td>$25.76</td>
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<tr>
<td>1WAT58</td>
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<td>1WAT34</td>
<td>Quarterly Fee</td>
<td>$31.46</td>
<td>$31.46</td>
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<td>1WAT12</td>
<td>Quarterly Fee</td>
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<td>$49.85</td>
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<td>1WAT16</td>
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<td>1WAT20</td>
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<td>1WAT40</td>
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<td>1WAT80</td>
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<td>Debt Service Fee</td>
<td>Quarterly Fee</td>
<td>$43.91</td>
<td>$43.91</td>
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<tr>
<td>Tier 1</td>
<td>Usage</td>
<td>$3.62</td>
<td>$3.62</td>
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<tr>
<td>Tier 2</td>
<td>Usage</td>
<td>$5.59</td>
<td>$5.59</td>
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<tr>
<td>Tier 3</td>
<td>Usage</td>
<td>$8.95</td>
<td>$8.95</td>
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**No Rate Increase for FY21**
2020 UPDATE: SEWER ENTERPRISE

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Actual FY19</th>
<th>Actual FY20</th>
<th>Budget FY21</th>
<th>Projected FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>$245,457</td>
<td>$243,644</td>
<td>$266,150</td>
<td>$278,126</td>
<td>$290,642</td>
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<td>$331,671</td>
<td>$346,596</td>
<td>$362,193</td>
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<tr>
<td>CRPDC - Usage</td>
<td>$312,300</td>
<td>$285,000</td>
<td>$309,800</td>
<td>$319,034</td>
<td>$328,667</td>
<td>$338,527</td>
<td>$348,083</td>
<td>$359,143</td>
<td>$369,917</td>
<td>$381,015</td>
</tr>
<tr>
<td>Operating Expenses and Maintenance</td>
<td>$35,736</td>
<td>$60,030</td>
<td>$60,461</td>
<td>$61,973</td>
<td>$63,522</td>
<td>$65,110</td>
<td>$66,738</td>
<td>$68,406</td>
<td>$70,116</td>
<td>$71,869</td>
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<tr>
<td>CRPDC - Capital</td>
<td>$241,880</td>
<td>$240,000</td>
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<td>$250,718</td>
<td>$260,860</td>
<td>$261,123</td>
<td>$261,535</td>
<td>$267,074</td>
<td>$272,750</td>
<td>$278,569</td>
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<tr>
<td>Miscellaneous</td>
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<td>$24,251</td>
<td>$24,857</td>
<td>$25,479</td>
<td>$26,116</td>
<td>$26,769</td>
<td>$27,438</td>
<td>$28,124</td>
<td>$28,827</td>
</tr>
<tr>
<td>Purchase of Services</td>
<td>$14,594</td>
<td>$40,000</td>
<td>$40,000</td>
<td>$41,000</td>
<td>$42,025</td>
<td>$42,076</td>
<td>$44,153</td>
<td>$45,256</td>
<td>$46,388</td>
<td>$47,547</td>
</tr>
<tr>
<td>Indirect Expenses</td>
<td>$197,539</td>
<td>$202,778</td>
<td>$207,847</td>
<td>$213,043</td>
<td>$218,369</td>
<td>$223,828</td>
<td>$229,424</td>
<td>$235,160</td>
<td>$241,039</td>
<td>$247,065</td>
</tr>
</tbody>
</table>

| Subtotal                              | $1,067,453  | $1,095,708  | $1,109,209  | $1,143,811     | $1,179,564 | $1,216,509 | $1,254,689 | $1,294,147 | $1,334,930 | $1,377,085 |

**CIP/ Debt**

| Reserve Transfer                      | $183,691    |
| Rate Funded Capital                   | $10,465     |
| Existing Debt                         | $256,075    |
| New Debt Service                      | $66,457     |

| Subtotal                              | $450,321    |

**TOTAL EXPENSES**

<table>
<thead>
<tr>
<th>Actual FY19</th>
<th>Actual FY20</th>
<th>Budget FY21</th>
<th>Projected FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,517,684</td>
<td>$1,417,133</td>
<td>$1,522,473</td>
<td>$1,419,592</td>
<td>$1,506,831</td>
<td>$1,470,220</td>
<td>$1,751,578</td>
<td>$1,836,086</td>
<td>$1,822,469</td>
<td>$1,781,824</td>
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**Revenue**

<table>
<thead>
<tr>
<th>Rate Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5%</td>
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**Net Revenue (Revenue-Expense)**

<table>
<thead>
<tr>
<th>Actual FY19</th>
<th>Actual FY20</th>
<th>Budget FY21</th>
<th>Projected FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
</tr>
</thead>
<tbody>
<tr>
<td>$694,598</td>
<td>$567,439</td>
<td>$586,126</td>
<td>$677,094</td>
<td>$700,843</td>
<td>$658,313</td>
<td>$655,600</td>
<td>$683,832</td>
<td>$688,461</td>
<td>$690,925</td>
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</table>

<table>
<thead>
<tr>
<th>Retained Earnings Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>61%</td>
</tr>
<tr>
<td>35%</td>
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<table>
<thead>
<tr>
<th>Retained Earnings as Percent of Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
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</table>

**Sewer Enterprise Proforma Recommended Rates**

<table>
<thead>
<tr>
<th>FY18</th>
<th>FY19</th>
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<th>FY21</th>
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<tbody>
<tr>
<td>$0.4</td>
<td>$0.5</td>
<td>$0.6</td>
<td>$0.7</td>
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<table>
<thead>
<tr>
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<th>FY25</th>
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<tbody>
<tr>
<td>$0.8</td>
<td>$0.9</td>
<td>$1.0</td>
<td>$1.1</td>
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**Proposed Sewer Rates**

<table>
<thead>
<tr>
<th>Description</th>
<th>Type</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meter Fee</td>
<td>Quarterly Fee</td>
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<tr>
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<tr>
<td>Tier 2 Usage</td>
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<tr>
<td>Tier 3 Usage</td>
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<td>$14.31</td>
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No Rate Increase for FY21
2020 UPDATE: CAPITAL IMPROVEMENT PLANS

Water

Schedule 6-1 Capital Improvement Plan

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Funding Source</th>
<th>Interest Rate</th>
<th>Estimated Cost</th>
<th>Cost Year</th>
<th>Start Year</th>
<th>Term</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Walnut Street Booster Station</td>
<td>Rate</td>
<td>4%</td>
<td>$206,479</td>
<td>2017</td>
<td>2022</td>
<td>1</td>
<td>$0</td>
<td>$0</td>
<td>$199,921</td>
<td>$199,921</td>
<td>$199,921</td>
<td>$147,517</td>
</tr>
<tr>
<td>2</td>
<td>Walnut Street Water Tank Asset Management</td>
<td>Rate</td>
<td>4%</td>
<td>$1,029,177</td>
<td>2020</td>
<td>2021</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
<td>$199,921</td>
<td>$199,921</td>
<td>$199,921</td>
<td>$147,517</td>
</tr>
<tr>
<td>3</td>
<td>Water Meter Replacement</td>
<td>Rate</td>
<td>4%</td>
<td>$970,000</td>
<td>2017</td>
<td>2021</td>
<td>10</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$62,160</td>
<td>$62,160</td>
<td>$62,160</td>
</tr>
<tr>
<td>4</td>
<td>Dover Road Water Main Replacement Phase 1</td>
<td>Debt</td>
<td>4%</td>
<td>$709,630</td>
<td>2017</td>
<td>2021</td>
<td>20</td>
<td>$119,488</td>
<td>$153,675</td>
<td>$62,125</td>
<td>$60,375</td>
<td>$58,625</td>
<td>$56,875</td>
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<tr>
<td>5</td>
<td>Dover Road Water Main Replacement Phase 2</td>
<td>Debt</td>
<td>4%</td>
<td>$709,630</td>
<td>2017</td>
<td>2021</td>
<td>20</td>
<td>$119,488</td>
<td>$153,675</td>
<td>$62,125</td>
<td>$60,375</td>
<td>$58,625</td>
<td>$56,875</td>
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<tr>
<td>6</td>
<td>Vehicles</td>
<td>Rate</td>
<td>4%</td>
<td>$99,990</td>
<td>2020</td>
<td>2021</td>
<td>1</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>7</td>
<td>DPW Garage</td>
<td>Debt</td>
<td>4%</td>
<td>$1,300,000</td>
<td>2017</td>
<td>2021</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>8</td>
<td>DPW Risk and Resilience Assessment</td>
<td>Rate</td>
<td>4%</td>
<td>$1,300,000</td>
<td>2017</td>
<td>2021</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>9</td>
<td>Farm Street Water Tank</td>
<td>Debt</td>
<td>4%</td>
<td>$600,000</td>
<td>2020</td>
<td>2021</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
<td>$53,406</td>
<td>$44,706</td>
<td>$49,971</td>
<td>$49,633</td>
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TOTAL $5,360,286 $187,336 $390,905 $786,412 $534,332 $565,245 $512,562

Sewer

6-1 Capital Improvement Planner

<table>
<thead>
<tr>
<th>Description</th>
<th>Funding Source</th>
<th>Interest Rate</th>
<th>Estimated Cost</th>
<th>Cost Year</th>
<th>Start Year</th>
<th>Term</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dover Street Station Upgrade</td>
<td>Debt</td>
<td>4%</td>
<td>$220,222</td>
<td>2017</td>
<td>2022</td>
<td>5</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Water Street Grinder Station</td>
<td>Debt</td>
<td>4%</td>
<td>$620,500</td>
<td>2017</td>
<td>2022</td>
<td>5</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Infiltration / inflow</td>
<td>Debt</td>
<td>4%</td>
<td>$218,000</td>
<td>2017</td>
<td>2019</td>
<td>5</td>
<td>$52,457</td>
<td>$52,457</td>
<td>$52,457</td>
<td>$52,457</td>
<td>$52,457</td>
<td>$52,457</td>
<td>$52,457</td>
</tr>
<tr>
<td>Vehicles</td>
<td>Rate</td>
<td>4%</td>
<td>$150,000</td>
<td>2017</td>
<td>2019</td>
<td>1</td>
<td>$151,000</td>
<td>$151,000</td>
<td>$151,000</td>
<td>$151,000</td>
<td>$151,000</td>
<td>$151,000</td>
<td>$151,000</td>
</tr>
<tr>
<td>Infiltration / inflow</td>
<td>Rate</td>
<td>4%</td>
<td>$150,000</td>
<td>2017</td>
<td>2019</td>
<td>1</td>
<td>$151,000</td>
<td>$151,000</td>
<td>$151,000</td>
<td>$151,000</td>
<td>$151,000</td>
<td>$151,000</td>
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<tr>
<td>DPW Garage</td>
<td>Debt</td>
<td>4%</td>
<td>$1,300,000</td>
<td>2017</td>
<td>2023</td>
<td>20</td>
<td>$0</td>
<td>$0</td>
<td>$14,000</td>
<td>$60,000</td>
<td>$135,500</td>
<td>$126,166</td>
<td>$126,075</td>
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</tbody>
</table>

TOTAL $213,457 $52,457 $116,457 $112,457 $188,022 $126,166 $374,753
CUSTOMER COSTS

Typical Residential Customer Impacts

Calculations based on 5/8" meter customer costs and quarterly usage of 23.4 KGal

Quarterly Bill

<table>
<thead>
<tr>
<th>Scenario</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>$146.61</td>
<td>$149.80</td>
<td>$149.80</td>
<td>$155.04</td>
<td>$160.47</td>
<td>$166.08</td>
<td>$166.08</td>
<td>$166.08</td>
<td>$166.08</td>
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</tr>
<tr>
<td>Sewer</td>
<td>$222.73</td>
<td>$222.73</td>
<td>$222.73</td>
<td>$230.52</td>
<td>$239.74</td>
<td>$249.33</td>
<td>$259.31</td>
<td>$269.68</td>
<td>$280.46</td>
<td>$280.46</td>
</tr>
<tr>
<td>Total</td>
<td>$369.33</td>
<td>$372.52</td>
<td>$372.52</td>
<td>$385.56</td>
<td>$400.21</td>
<td>$415.42</td>
<td>$425.39</td>
<td>$435.76</td>
<td>$446.55</td>
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<tr>
<td>Increase</td>
<td>$13.33</td>
<td>$3.19</td>
<td>-</td>
<td>$13.04</td>
<td>$14.65</td>
<td>$15.21</td>
<td>$9.97</td>
<td>$10.37</td>
<td>$10.79</td>
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</tr>
</tbody>
</table>

Annual Cost

<table>
<thead>
<tr>
<th>Scenario</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>$586.43</td>
<td>$699.19</td>
<td>$599.19</td>
<td>$620.16</td>
<td>$641.87</td>
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<td>$664.33</td>
<td>$664.33</td>
<td>$664.33</td>
<td>$664.33</td>
</tr>
<tr>
<td>Sewer</td>
<td>$890.90</td>
<td>$890.90</td>
<td>$890.90</td>
<td>$922.09</td>
<td>$958.97</td>
<td>$997.33</td>
<td>$1,037.22</td>
<td>$1,078.71</td>
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<td>$1,121.86</td>
</tr>
<tr>
<td>Total</td>
<td>$1,477.34</td>
<td>$1,490.10</td>
<td>$1,490.10</td>
<td>$1,542.25</td>
<td>$1,500.84</td>
<td>$1,661.66</td>
<td>$1,701.56</td>
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<td>$1,786.19</td>
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<tr>
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<td>$53.31</td>
<td>$12.76</td>
<td>-</td>
<td>$52.15</td>
<td>$58.59</td>
<td>$60.82</td>
<td>$39.89</td>
<td>$41.49</td>
<td>$43.15</td>
<td>-</td>
</tr>
</tbody>
</table>

Typical Residential Customer costs are based upon a four-person household using 65 gallons per day per person (Target water conservation usage).
AFFORDABILITY

The Residential Indicator was introduced in 1997 by the EPA to help assess the financial impacts of sewer separation projects. Since then it has been coopted for use with water and stormwater. A residential indicator greater than 4% is considered to be a high burden while 2% or more is a medium burden. This methodology has long been criticized for its reliance on the MHI which is not considered a good gauge of community economics.

In response the Household Burden Indicator (HBI) was introduced in 2019. It is similar to the residential indicator but divides the total cost of water and sewer by the LQI which is the lowest 20th percentile income in the community. The burden is determined by using the HBI and the Poverty Prevalence Indicator (PPI) (see chart) to determine the burden.

Based upon the two leading affordability measures the financial burden on the typical Millis residential user considered to be low.