Committee on Finance and the Northampton City Council

Finance Committee Members
Councilor Rachel Maiore, Chair
Councilor Marianne LaBarge, Vice Chair
Councilor Stanley W. Moulton, III
Councilor Jim Nash

Virtual Meeting
Meeting Date: April 3, 2023
Time: 6:30 p.m.

1. **Meeting Called To Order:** At 6:32 p.m. Chair Rachel Maiore called the meeting to order.

2. **Roll Call:** Present were Councilor Rachel Maiore, Chair; Councilor Marianne L. LaBarge, Vice Chair, Councilor Stanley W. Moulton, III and Councilor Jim Nash. Also present were Finance Director Charlene Nardi and Administrative Assistant Laura Krutzler.

   Councilor Maiore announced that the meeting was being audio/video recorded.

3. **Approval Of Minutes From The Previous Meeting**
   None

4. **Public Comment**
   None

5. **Public Hearing t o Consider FY2024 Water and Sewer Rates**
   Councilor Moulton moved to open the public hearing. Councilor LaBarge seconded. The motion passed unanimously 4:0 by roll call vote.

   The public hearing was opened at 6:36 p.m.

   As background, in August of 2021, Coca-Cola surprised the city with the announcement that it was closing its bottling plant with no discussion or advance notice prior to issuing its press release, Mayor Sciarra related. Coca-Cola has been in the city of Northampton for about 65 years, having come in 1956 during the term of Mayor Cahillane. All told, 10 mayors before her have had Coca-Cola as a major employer and significant portion of the water/sewer enterprise.

   “Unfortunately for us but especially for our community, it’s under our watch here that the fizz goes flat,” she said wryly.

Northampton has been a very willing and supportive home for Coca-Cola's operations for 65 years with the city's support including the modification of one of its pump stations in 2012 to accommodate a proposed expansion. With its departure the city will lose about 300 jobs but tonight they are here to discuss the impact to its water/sewer enterprise.

With the FY2024 budget, they need to plan now for the revenue they will lose. Together with Finance Director Charlene Nardi and Principal Assessor Marc Dautreil, they are proposing an increase in the quarterly base charge to close the hole. Many surrounding communities are recommending significant increases in rates this year to stabilize their enterprises due to rising costs. The stark difference between those increases and theirs is that, despite rising costs, Director LaScaleia has managed to decrease the budgets over the last seven years and to not increase them at all for the last three years. Coca-Cola's departure is leaving Northampton with a 25% loss of revenue. This is a level-funded budget; they are just proposing to stabilize the revenue, she stressed. The approach of addressing the shortfall through quarterly base charges is driven by the fact that the city can offer income-based exemptions to these charges that they are not able to offer on charges for use.

She and Director LaScaleia have been working very hard for over a year as well as working with the state delegation - Senator Jo Comerford and Representative Lindsay Sabadosa. In addition, Governor Maura Healey has been briefed, the city has met with Lieutenant Governor Driscoll, Labor and Workforce Development Secretary Jones and other high-level state officials and has been in contact with Congressman McGovern and U.S. Senators Markey and Warren. They have done extensive research, worked every angle and engaged Tighe & Bond to study the impact and model out for them how to replace the ost revenue.

Mayor Sciarra read a joint statement from Senator Comerford and Representative Sabadosa. Among other things, it stated that both are proud to be working alongside Mayor Sciarra and her team as they work to mitigate the impact of Coca-Cola leaving and that they are joined in this effort by key members of the Healey administration. Mayor Sciarra has contacted officials at the federal level, too, and every elected official is engaged in a sincere effort to try to minimize the impact of Coca-Cola leaving, they assured.

Mayor Sciarra recognized DPW Director Donna LaScaleia, who gave a 45-minute Powerpoint presentation (See Water and Sewer Rates FY2024, City Council Presentation, March 30, 2023).

In broad terms and minute details, the presentation explained the revenue impacts of Coca Cola's departure on the city's water and sewer enterprises. Among other things, the report gave overviews of the water supply and waste-water treatment systems, reviewed pending capital projects and illustrated the utilities' extensive scale of operations.

The presentation also showed seven years of water and sewer enterprise fund budgets. In the water enterprise, the director highlighted the fact that FY2021 to FY2023 budgets were unchanged at $6,945,000 and called attention to debt service of over $1.9 million which doesn't fall off the debt schedule until 2028. She also gave examples of rising costs for both utilities, such as water treatment processing costs, electricity and gasoline.

When Coca-Cola informed the city it was leaving, administrators engaged Tighe & Bond to analyze the impact of its departure. Coca-Cola represents about 25% of overall water usage and 22% of total water enterprise fund revenue (roughly $6.9 million) for FY2022 and 2023, Director LaScaleia noted.

FY2024 revenue from Coca-Cola is unknown, but they have estimated it as 50% for projection purposes.

Director LaScaleia gave an overview of the sewer system, which includes the waste water treatment plant (WWTP) on Hockanum Road, seven pumping stations and110 miles of sewer main. Northampton receives and treats about 100,000 gallons of Williamsburg's wastewater a day. The system is regulated and monitored by the Department of Environmental Protection (DEP) and operated by 21 full-time employees. The total volume of wastewater treated in 2022 was 1.5 billion gallons.

The budget has been held to $6,177,500 for the last three years.

The debt service in sewer is currently much more limited than in water but is going to jump by $1 million when debt service for recently-completed Phase I WWTP upgrades hits the budget.

Director LaScaleia reviewed recent and future capital projects, including Phase 2 upgrades to the WWTP estimated to cost $18 million. Upgrades often involve relining older sewer mains made of brick and vitreous clay.

Similar to water, Coca-Cola's sewer usage has been relatively stable over the past five years, representing 18% of total usage and 17% of revenue in 2022 and 2023.

Water charges have two components: usage rates and quarterly base rates based on the size of the meter. Sewer is based on 80% of the charges for water.

The philosophy of water and sewer rates is that it is incumbent on the city to cover the complete cost of operations, including investment in the system. There has been remarkable stability in the rates over time and rates have been static since FY2020, she pointed out.

Most typical residential households have 5/8" meters and most commercial businesses have 1" meters. The only eight-inch (8") meter belongs to Coca-Cola itself.

She showed a table with proposed FY24 rates in comparison to existing rates and a table showing the change in the distribution of revenue (the amount coming from quarterly base rates as opposed to usage rates) with the proposed adjustment.

The concept of a base charge is that the city has the obligation to serve each household regardless of its usage, she explained. Total projected revenue is not expected to change, but the decrease in usage is proposed to be offset by the new quarterly base charges, she elaborated. City administrators are redistributing how they collect revenue within the enterprise but the bottom line is not changing, she stressed.

Principal assessor Marc Dautreuil reviewed the two income exemption programs: 1) 41C and 2) the CPA Surcharge Exemption. Individuals who qualify for either of these exemptions have been exempt from meter fees all along and will now be exempt from quarterly base charges.

Director LaScaleia presented the annual impact of the rate increase for the typical residential user; i.e. - it will result in $128 more in water charges and $115 more in sewer, or $243 more per year (about $20 a month). The increase for those qualifying for the income exemption discount would be $0.

For the average commercial customer with a 1" meter, the increase would be $524 a year.

She showed a comparison of Northampton's rates with those of other communities.

Coca-Cola's departure is equivalent to the loss of 3,400 households. Although rates are proposed to increase, the budgets are level-funded, she reiterated. Considerable work went into looking at different ways to adjust the rates to compensate for the loss of Coca-Cola's revenue. They wanted to be careful not to create a disincentive to use water since the resulting variable revenue within the enterprise would potentially destabilize it. There is a continuous need to cover fixed expenses and maintain and support the infrastructure regardless of usage, she stressed.

Capital projects such as the Main Street water main replacement do not impact the operating expenses of the enterprise, Mayor Sciarra added. Even if the city did not make any capital improvements, it would still need to stabilize the enterprise.

Councilor Maiore opened the floor to questions and comments.

PUBLIC COMMENT

Bob Reckman, former chair of the Board of Public Works (BPW), said he knows a lot about the history of setting water rates since this was done by the BPW 20 years ago. When board members found out they were going to be required to build the water treatment plant, they realized they had to build up their reserve account and so proactively raised rates in anticipation. In this case, city officials simply didn't have that opportunity. This is a perfect example of wise fiscal stewardship by their elected leaders, he suggested.

Regarding eligibility for exemptions, Councilor Jarrett expressed his understanding that, in the case of multi-person households, the combined income of the occupants is taken into consideration.

Principal Assessor Dautreuil confirmed that is the case; different income thresholds apply to different-sized households.

Councilor Jarrett asked how the exemptions apply to owner-occupied two-family homes. The principal assessor explained that, in the case of the CPA exemption, the homeowner would still be eligible for the full amount but in the case of 41C, if the occupant(s) of the other unit did not qualify, the owner would still be eligible for 50%.

The mayor's office is investigating another possible source of assistance; i.e. the low income household water assistance program (LIHWAP), Chief of Staff Alan Wolf advised. Anyone who qualifies for heating assistance automatically qualifies for LIHWAP. It helps eligible households pay water and sewer bills and also applies to renters, he indicated.

Mary Connor, Ward 1, asked how the loss of the city's largest contributor is expected to impact the city's economic development plan and ability to attract new commercial investment.

Obviously that is something they are concerned about, Mayor Sciarra responded. They would very much like to get someone into the Coke plant and to repurpose the building. The ideal situation would be another bottler who uses water and sewer to a similar extent. But, they have to stabilize the enterprise as well and feel this is the best way to do that with the least harmful impact to the community and residents.

Linda Langlais, Ward 5, Florence, asked if the rates would return to the old position when they get someone to replace Coke.

They will certainly review it, Mayor Sciarra confirmed. It depends on who comes into the plant. One of the things they are working hard with the state delegation and their federal partners to figure out is how best to market the property to attract a company with similar water and sewer usage. But they don't actually own the property and can't control who it is sold to. They are trying to do everything possible to attract a viable and attractive buyer.

Ms. Langlais asked if the city could potentially lower the rate if the property transitions to multi-unit housing.

Coca Cola's usage is equivalent to 3,400 households, so it wouldn't touch it, Mayor Sciarra pointed out. Other than another bottling plant, she is not sure what other user would use that amount of water.

If Coca-Cola were to remain, they would likely be talking about the hyper-inflationary environment in which they are operating, Director LaScaleia noted.

Marie Brown shared her perspective as a person living in Ward 3, an area which has been "massively impacted" by Coca-Cola's trucks driving through it for years. Because Coca Cola has not been paying for the negative impact to the community of its truck traffic, she is among a small pool of people who are actually celebrating the company's departure, she related. As examples of adverse impacts, she cited cracks in her home's foundation and costs to her neighborhood in the form of [poor] air quality and compromised traffic safety which has not been managed by either the city or the state. Her street has been treated like it's a state highway, and it is not. Some residents have long been paying for negative impacts from Coca-Cola's presence without compensation or acknowledgment, she pointed out. She is curious what this means in the long term for how costs are distributed.

Mayor Sciarra said she is grateful for that perspective.

A participant identified as **Joanne's Ipad** echoed the comment of the last speaker. People on Lincoln Avenue have been dealing with these issues for many, many years. If they did get another company, she asked if the traffic impact on the neighborhood would change. She complimented Director LaScaleia's presentation.

Mayor Sciarra reiterated that she thinks the city has been remarkably accommodating to Coca Cola and that it is deeply disappointing that they are leaving them in this way after everything they've done as a community to support them over 65 years.

She and her husband live right in back of Coca-Cola and have been dealing with huge trucks that go by using 'Jake brakes,' **Joanne's Ipad** shared.

"We totally agree with you. Coke is leaving us in a horrible situation" Mayor Sciarra commented.

Coca-Cola has perhaps been funding one public works in its massive use of water, Marie Brown suggested. It's been like having a neighbor that always has the tap on. It's been good in that it has used a lot of water and built a very robust and certain-scaled water enterprise. But the company has not been paying for its impact on their roads or on the safety of the community. It's been a resource that has been paying in one sense and not paying in another. "We've been paying in other ways for having this kind of bully corporate neighbor," she reflected. "It's a bad lover."

"We've been using a lot more water in the community because we've had a giant sucking water purpose over in a corner that's not been helping otherwise."

From a conservation standpoint, she said she thought they should be trying to reduce water use. We don't actually want to be using so much water and to be tied to a system of the scale needed by Coke, she suggested.

"We cannot replace Coke. We are not Coke and we're glad," she asserted.

Members asked questions to clarify the information presented. Typically throughout the city, each building has its own meter, Director LaScaleia noted. Meter size is based on the type of occupancy and day-to-day flow rates. A typical house with a 5/8" meter can flow 25 gallons a minute. This would not be sufficient for a three-family dwelling with a swimming pool, irrigation and residents trying to wash cars. A one-inch meter would flow 55 gallons per minute. Two- and three-inch meters are typically associated with manufacturing or some sort of heavy water use.

The Assessor's office started taking applications for FY2024 exemptions today and April 1, 2024 is the deadline for FY2024, Principal Assessor Dautreuil advised.

Every resident and commercial enterprise in the city will bear the cost of the water and sewer increase, Councilor Moulton pointed out. He expressed his understanding that the adjustment represents a 210% increase across the board, and Director LaScaleia confirmed that is the case.

Councilor Moulton asked the director if she could speak to the suggestion that, with Coca-Cola's departure, it might be possible at some point for the city to scale back its water and sewer operations.

Their system is quite extensive and its infrastructure is built out irrespective of a large user like Coca-Cola. "Scaling our operation is not possible," she asserted. They have three surface water reservoirs, wells, a water treatment plant and miles of distribution mains, she pointed out. The system is quite defuse and they are not able to decommission portions or sections of it. They may see a limited reduction in the use of electricity and in supplies associated with some of their treatment processes.

Councilor LaBarge asked if Chief of Staff Wolf could send her the information he presented. She has had some residents call her who are over the exemption threshold by like $1,000. Mayor Sciarra reiterated that the information he shared was for renters.

In response to a question from Councilor Maiore, Director LaScaleia said an overwhelming majority of residents use city water and sewer.

A resident asked her why Coca-Cola is leaving, Councilor Maiore said. And, if Coca-Cola were to stay on longer, where would the money from the rate adjustment go? She asked.

In August of 2021 when it announced its leaving, Coca-Cola executives announced a corporate restructuring of its bottling process, Mayor Sciarra said. Some bottling plants were outsourced to other vendors and two they chose to close. Why they chose to close the Massachusetts and California plants they do not know.

The water enterprise is a closed financial system so any money collected by the enterprise stays within that enterprise, Director LaScaleia clarified. If there is a surplus at end of the fiscal year, it becomes part of retained earnings which can then be appropriated to various projects.

There being no further questions, Councilor Nash moved to close the public hearing. Councilor LaBarge seconded. The motion passed unanimously 4:0 by roll call vote.

The public hearing was closed at 8:38 p.m.

The Finance Committee recessed briefly at 8:39 p.m. The committee reconvened at 8:46 p.m.

6. **ITEMS REFERRED TO COMMITTEE**

A. **23.289 An Order to Establish Water And Sewer Rates For FY2024, Referred By City Council - 3/30/2023**

For the sake of discussion, **Councilor Nash moved to forward the order to the full City Council with a positive recommendation. Councilor Moulton seconded.**

Finance Committee members shared their thoughts. Councilors Maiore, Moulton and Nash expressed appreciation for the strategy of making up lost revenue by increasing base charges for meters rather than usage rates. Among other things, this approach is straightforward and easily quantifiable and gives the city the ability to offer a wide range of exemptions. From the perspective of courting new business, it is less likely to deter prospective tenants with heavy water use and reflects a commitment on the part of the city to keeping water rates low, Councilor Nash suggested. If the city were to raise usage rates, prospective tenants might walk away.

Councilors expressed keen awareness that the increase comes at an especially difficult time for many residents since all are facing inflationary pressures. Councilor LaBarge said she is particularly concerned about seniors who are over the income threshold. “It’s not easy for me to say ‘yes’ at all,” she disclosed. As a councilor, she has no choice and will vote for a positive recommendation but she hopes many more people will inquire about exemptions.

Councilor Nash stressed the importance of collectively accepting responsibility for an enterprise that belongs to all of them. “It’s our water business. We are the owners,” he reminded. With the change in customer base, an adjustment is needed to stabilize the system. Access to clean, high-quality water is a bottom-line public health need, he noted.

This is not how he wanted to fix the truck problem in Ward 3 but it will have that impact, he added. Coca Cola has been the source of the truck traffic that has been all over Ward 3 neighborhood streets, he confirmed.

If there’s a silver lining to all of this, he appreciates the fact that the truck problem in Ward 3 will be taken care of, Councilor Moulton agreed. There’s no doubt this comes at a difficult time but, as public officials, they have no choice but to deal with Coca-Cola’s departure and its impact on the city. As the mayor pointed out, ‘the fizz has finally gone flat,’ and they have to react. They’ve heard the mayor and her team talk about their efforts to attract a replacement business, and he hopes they are able to find an environmentally-conscious and neighborhood-friendly company to move in. However, it is unlikely they will be able to make up for the lost revenue in their water and sewer enterprises and so are faced with how to make up that difference. It is important for the public to understand that the enterprise funds are closed. No property taxes go into the funds and they are user supported. Sticker shock is even greater because, due to prudent financial management, rates have not increased in four years. Unfortunately, there is no direct correlation between the loss of a high-volume customer and the city’s ability to scale back its operations.

They are dependent on water flowing and sewage being treated and they have to pay for that. As far as pending capital projects, it is forward-thinking to replace old water mains under Main Street and on Mountain Street during previously-planned reconstruction rather than at a separate time. “Those are good decisions,” he proposed.

He believes the quarterly base rate is the way to go primarily because it allows for exemptions for homeowners who meet income eligibility. He is also happy to hear from Chief of Staff Wolf that the mayor’s office has responded to councilor’s concerns by exploring relief for renters. Over the coming months, he stressed the importance of education about the availability of exemption programs. He, too, will support this going forward with a positive recommendation.

Councilor Maiore said they’ve covered a lot of her thoughts. These are hard financial times and, unfortunately, municipalities are not exempt from rising costs. Coca-Cola was basically subsidizing their water and sewer enter-prise. With the cannabis industry, they talked a lot about impacts and impact fees. The nature of a market economy requires that they go in with eyes wide open when they think about replacements for Coca-Cola. She is satisfied that the mayor’s office and the director have really thought this through and worked to the ultimate capacity within state guidelines to mitigate the impact on residents. Using the base charge was thoughtful since it’s the only avenue for exemptions. She thinks they’ve done all they can and that much thought has been put into the proposal.

They are breaking even with this. She will support a positive recommendation but she thinks they would all agree that there is nothing particularly positive about it.

There being no further comment, **Councilor Maiore called the motion to positively recommend the order to a vote, and it passed unanimously 4:0 by roll call vote .**

7. **New Business**
-Reserved for topics that the Chair did not reasonably anticipate would be discussed.
None.

8. **Adjourn:** There being no further business, **Councilor Nash moved to adjourn . Councilor LaBarge seconded. The motion carried on a roll call vote of 4 Yes, 0 No. The meeting was adjourned at 9:10 p.m.**

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