

Springfield
Water and Sewer Commission
Springfield, Massachusetts



Annual Comprehensive
Financial Report

For the Fiscal Year Ended June 30, 2023

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SPRINGFIELD WATER AND SEWER COMMISSION

Springfield, Massachusetts

Annual Comprehensive Financial Report
For the Year Ended June 30, 2023



COMMISSIONERS

Daniel Rodriguez, Chairman
Vanessa Otero
Matthew Donnellan

Joshua D. Schimmel
Executive Director

Anthony J. Basile
Comptroller

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Finance Director

Prepared by Financial Group

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TABLE OF CONTENTS

I. Introductory Section

| | |
|---|----|
| Letter of Transmittal | 1 |
| GFOA Certificate of Achievement | 21 |
| Commissioners and Senior Management | 22 |
| Organizational Chart | 23 |

II. Financial Section

| | |
|---|----|
| Independent Auditors' Report | 26 |
| Required Supplementary Information | |
| Management's Discussion and Analysis..... | 29 |
| Basic Financial Statements | |
| Statement of Net Position..... | 34 |
| Statement of Revenues, Expenses, and Changes in Net Position | 36 |
| Statement of Cash Flows..... | 37 |
| Statement of Fiduciary Net Position | 38 |
| Statement of Changes in Fiduciary Net Position | 39 |
| Notes to Basic Financial Statements | 40 |
| Required Supplementary Information | |
| Pension: | |
| Schedule of Proportionate Share of the Net Pension Liability..... | 68 |
| Schedule of Pension Contributions | 69 |
| OPEB: | |
| Schedule of Changes in the Net OPEB Liability | 70 |
| Schedules of the Net OPEB Liability, Contributions, and Investment Returns | 71 |
| Other Supplementary Information | |
| Schedule of Operating Expenses - Budget and Actual..... | 72 |
| Notes to Other Supplementary Information - Schedule of Operating Expenses - Budget and Actual | 73 |

III. Statistical Section

| | |
|---|----|
| Statistical Section Contents | 77 |
| Net Position by Component (Table 1) | 78 |
| Changes in Net Position (Table 2) | 79 |
| Largest Users (Table 3)..... | 80 |
| Water: Supplied Billed and Accounted For. Sewer: Treated and Billed (Table 4) | 81 |
| Billings and Collections (Table 5) | 82 |
| Water and Sewer Rate Structure (Table 6) | 83 |
| Commission Per Capita Debt (Table 7) | 85 |
| Debt Coverage (Table 8) | 86 |
| Population, Income, and Employment (Table 9) | 87 |
| Demographic and Economic Statistics (Table 10) | 88 |
| Distribution of Customers by Account Type (Table 11) | 89 |
| Largest Private Employers (Table 12) | 90 |
| Divisional Breakdown of SWSC Funded (Budgeted) Positions (Table 13) | 91 |
| Water and Sewer Distribution System (Table 14) | 92 |
| Insurance Coverage (Table 15) | 93 |
| Water and Sewer Sales (Table 16) | 94 |
| Capital Spending by Category (Table 17) | 95 |

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INTRODUCTORY SECTION

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**SPRINGFIELD WATER
AND SEWER COMMISSION**

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December 5, 2023

Springfield Water and
Sewer Commission
PO Box 995
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To the Customers and Board of Commissioners of
Springfield Water and Sewer Commission

It is our pleasure to submit the Springfield Water and Sewer Commission's (the Commission) Annual Comprehensive Financial Report for the year ending June 30, 2023. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Commission's management. To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the Commission's operations. Disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The Commission was created by an Act of the Massachusetts Legislature that requires an annual audit by independent certified public accountants. The Commission's Board selected the independent audit firm of Marcum LLP to perform an audit of the Commission's books for fiscal year ended June 30, 2023.

The Management's Discussion and Analysis (MD&A) follows the independent auditors' report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

The Commission is required to assess whether an annual Single Audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) needs to be performed. In accordance with Uniform Guidance, a single audit was required for fiscal year 2023 because the Commission's federal expenditures were above \$750,000.

ABOUT THE COMMISSION

The Commission was created by an Act of the Massachusetts Legislature adopted by the Springfield City Council in April 1996. The adoption of the Act merged the functions and responsibilities of the Springfield Municipal Water Department and the Regional and Local Wastewater Divisions of the City of Springfield's (the City) Department of Public Works into one Commission. A three-member board, appointed by the Mayor and approved by the City Council, is the governing body of the Commission. The ownership and operation of the water and sewer system were transferred to the Commission in June 1996.

The Commission has the authority to independently set its rates and charges. These rates and charges are set at a level and amount sufficient to meet the Commission's financial obligations including but not limited to operating expenses, debt service on all outstanding bonds, and any reserve requirements specified in bond resolutions.

WATER SYSTEM

History of Springfield's Water Supply

The Springfield water system dates back to 1848 when the Springfield Aqueduct Company was formed. In 1863, the City of Springfield began to investigate new water supplies. In 1872, the City purchased the Springfield Aqueduct Company and began to develop the Ludlow Reservoir by purchasing all the land surrounding the reservoir site. In November 1875, the 1.71-billion-gallon Ludlow Reservoir became the City's primary water supply.

In 1910, construction of the Borden Brook Reservoir (2.5 billion gallons) was completed, and this became the City's primary supply. The Ludlow Reservoir continued to be the primary supply for Ludlow and a secondary supply for Springfield. Borden Brook Reservoir continued to serve as Springfield's primary supply until 1931, when Cobble Mountain Reservoir was constructed, and this 22.8-billion-gallon reservoir has been the City of Springfield's primary supply source ever since. Borden Brook Reservoir is still an active supply source and feeds into the Cobble Mountain Reservoir. In 1994, Cobble Mountain Reservoir became the primary water supply for the Town of Ludlow. The Ludlow Reservoir is maintained as an emergency supply source.

Treatment

Water flows from the Cobble Mountain Reservoir to the West Parish Water Filtration Plant in Westfield, where it is filtered and treated to protect public health. The filtration process removes particles and impurities from the water. Then, the pH of the water is adjusted, and corrosion inhibitors are added to protect home plumbing. Finally, chlorine is added to disinfect the water before it flows out into the distribution system for delivery to our customers.

Approximately 51,000 water quality tests are conducted annually to ensure that the water produced is safe. The Commission's State certified laboratory analyzes water samples daily. Private certified laboratories are also utilized to assure that the water meets or exceeds State and Federal standards and requirements.

Storage

After leaving the West Parish Water Filtration Plant, the water travels through three transmission mains to our three storage tanks located on Provin Mountain in Agawam. The three tanks have a total storage capacity of 43.7 million gallons.



Distribution

Water flows by gravity from the Provin Mountain storage tanks to the majority of the Springfield and Ludlow system. The Commission has several pump stations, which provide increased pressure to some of the higher elevation areas in the City of Springfield and Ludlow during periods of high demand.

The Springfield Water and Sewer Commission is responsible for your drinking water from the source through treatment and storage to distribution to your tap. In addition to serving the residents of Springfield and Ludlow, the Commission also provides wholesale water to the communities of Agawam, East Longmeadow, and Longmeadow, and provides partial service or peak service to Southwick, Westfield, and West Springfield. The Commission can also provide water on an emergency basis to Chicopee and Wilbraham.

POWER GENERATION

The Commission owns Cobble Mountain Hydro-Power Station, which is located in the Town of Granville, Massachusetts. The Station utilizes stored static hydro-pressure energy at the Cobble Mountain Reservoir Dam for green power production while water is conveyed to the Commission's West Parish Water Filtration Plant. The generated power is transmitted and sold to ISO New England electricity market. The Plant has a nominal capacity of 33 Megawatt-hours power production through three turbine generators: two rated at 13.6 Megawatts (MW) and one at 5.7 MW. Currently one 13.5 MW and one 5.7 MW Units are shut down and partially disassembled for rehabilitation needs and improvement. In fiscal year 2023, the plant output was 9,400 MW.



The Commission controls and limits the amounts of water available for power generation to protect safe-yield water storage under various seasonal and drought conditions.



The Commission is currently in a ten-year agreement with the City of Holyoke Gas & Electric Department (HG&E) to manage, operate, and maintain (O&M) the Station, expiring June 30, 2026. The Commission has also entered into a separate ten-year parallel agreement with HG&E to provide marketing agency and facilitation of power sales into the ISO-New England market. HG&E is compensated for its O&M expenses, which includes routine maintenance work and is reimbursed for major maintenance work approved by the Commission, and for support work on capital projects as approved by the Commission as well.

HG&E is also paid a flat monthly fee with a maximum annual cap for the marketing and facilitating of power sales. Historically, the Commission has received annual net income from the power station and anticipates continuing to receive net income during the ten-year term of these agreements.

The Power Plant generated enough Green Power in fiscal year 2023 to meet the average annual power needs for approximately 1,290 homes in Massachusetts.

SEWER SYSTEM

Wastewater Collection

The Springfield Water and Sewer Commission services approximately 37,700 sewer accounts. The sewer collection consists of 150 miles of combined sewer stormwater pipe, 473 miles of combined and separated sewer pipe, 24 combined sewer overflow outfalls, 11,491 manholes, and 34 pumping stations. Wastewater is conveyed to the Springfield Regional Wastewater Treatment Facility (SRWTF) located on Bondi's Island off Route 5 in Agawam, MA.



The SRWTF treats wastewater from the households, businesses, and industries within Springfield and surrounding member communities, including Agawam, East Longmeadow, Longmeadow, Ludlow, Wilbraham, West Springfield, and a small section of Chicopee. The SRWTF is designed to treat up to 67 million gallons of wastewater per day. Currently, a daily average of 44 million gallons of wastewater is cleaned, treated, and returned to the Connecticut River. The SRWTF is the second-largest treatment facility in New England.

The SRWTF is owned by the Commission and is currently operated and maintained under a twenty-year Service Agreement between the Commission and Veolia Water USA, Inc., (formerly Suez Water Environmental Services, Inc.), which began on October 1, 2020, with an additional period up to five years, solely at the option of the Commission. In March of 2022, Veolia Water USA, Inc. merged its operations with Suez Water, Inc., which is the entity owning Suez Water Environmental Services Inc. (“Suez”). Following the merger, the name of Suez Water Inc, was amended to Veolia Water, USA, Inc. In addition, the name of Suez was amended to Veolia Water Contract Operations, Inc. (Veolia). As of March 2022, the Service Agreement is between the Commission and Veolia.



Treatment consists of two major steps: primary treatment and secondary treatment. During the primary treatment stage, sand, grit, and solids are removed from the untreated sewage. The secondary treatment phase uses bacteria to further break down the dissolved solids, which produces sludge. The treated wastewater is then separated from the sludge, cleaned, and disinfected before being released into the Connecticut River in compliance with the facility’s National Pollution Discharge Elimination System (NPDES) permit issued by the U.S. EPA and MA DEP. Veolia is responsible for the biological treatment, disinfection, and chlorination of the wastewater that flows through the plant.

Effluent flow to the Connecticut River is tested and monitored daily at the facility’s on-site State certified testing laboratory to ensure that required permit limitations are not exceeded and the water can be discharged safely to the Connecticut River without harming the environment. The solids, or sludge, resulting from the treatment process are disposed of in a variety of ways including landfill and incineration as part of the Veolia contract.

Bondi’s Island - The History Behind the Name



From his native Italy, Luigi Bondi came to Springfield with his wife and children in the late 1800’s. With a successful venture in the produce business under his belt, he started acquiring land in and around

Springfield. He purchased an Island (Bondi's Island) on the Connecticut River in 1889 for \$100. It was common practice in those days to measure real estate in approximations to local landmarks; unfortunately, landmarks change as time goes on, so it is not known for certain where the original Bondi's Island lies. Speculation and local lore have the Island under the west end of the memorial bridge. So why is the Springfield Regional Wastewater Treatment Facility (SRWTF) nicknamed "Bondi's Island"? Locals have said that Luigi Bondi also purchased land in West Springfield surrounded on three sides by water (the Connecticut and Agawam Rivers). These plots of land are guessed to be what was known as Big Island and Hermit Island. Hermit Island was also known to some as Little Island or Cambell's Island. He had peach trees on the island for his produce business and had plans to make a recreation area one day. As time went on, the course of the river may have changed, branches may have been filled in or dried up and the two islands became one. This is the plot of land that Luigi was said to have purchased and is the current location of the SRWTF.

The first wastewater treatment plant was built in 1938-39 and at the time, was a state-of-the-art primary treatment plant that contributed greatly to the quality of the Connecticut and Chicopee rivers. However, it was not until 1960 that all the sewage generated in Springfield went to the treatment facility.

In 1968, the land northwest of the treatment plant started being used as a landfill, and by now more of the water being treated at the treatment plant was coming from surrounding communities. As a result of the 1972 Clean Water Act and increased demand being placed on the treatment plant, a new regional secondary wastewater treatment facility (the SRWTF) was put online in 1977.

Since 1988, three other waste management facilities have been established on Bondi's Island. This is a far cry from the recreational park Luigi Bondi had envisioned a century ago, but it is hoped he would advocate the use of his land as a center of environmental protection.

MANAGEMENT OBJECTIVES

It is the Commission's objective to provide a high-quality, uninterrupted supply of water to our customers, collect and treat wastewater, and return clean water to the environment.

While fulfilling our objectives the Commission strives to:

- Conserve and protect our reliable, high-quality water supply for present and future generations,
- Meet or surpass public health standards, environmental standards, and support fire protection,
- Operate, maintain, improve, and manage our water and wastewater infrastructure in a cost-efficient manner,
- Manage finances to support Commission needs and maintain reasonable water and wastewater rates,
- Maintain a safe and professional workforce, and
- Understand and respond to customers' expectations for service.

ORGANIZATION

A three-member board, appointed by the Mayor of the City of Springfield and approved by the City Council, governs the Commission. Decisions made by the Commissioners are implemented by the Executive Director and the staff. The following table lists the Commission Members:

| <u>Office</u> | <u>Name</u> | <u>Method of Selection</u> | <u>Term Expiration</u> |
|---------------|-------------------|----------------------------|------------------------|
| Chairman | Daniel Rodriguez | Appointed by Mayor | June 30, 2023 |
| Commissioner | Matthew Donnellan | Appointed by Mayor | June 30, 2024 |
| Commissioner | Vanessa Otero | Appointed by Mayor | June 30, 2025 |

The primary mission of the Board is to ensure the sound economical and efficient operation and maintenance of the systems and to ensure the highest quality services to customers of the Commission. The Board of Commissioners is also responsible for setting clear financial and operational policy directives.

A full-time Executive Director appointed by the Board of Commissioners oversees the Commission's seven groups: Administration, Engineering, Water Operations, Field Services, Wastewater Operations, Financial, and Information Technology groups.

The Administration group is responsible for executive management, strategic planning, public relations, labor relations, human resources, safety and security, and representing the Commission in all litigation matters and procurement.

The Engineering group is responsible for planning, designing, managing, and providing contract compliance for the construction of the Commission's capital projects. The group also administers the contract for operation of the power generation plant. The group provides construction and commercial development inspection services. The group also supports asset management and building maintenance.

The Water Operations group is responsible for the management of all dams and reservoirs, surrounding watersheds, water treatment facilities, water transmission mains and easements, water storage facilities, and testing for compliance with water quality regulations.

The Field Services group is responsible for all water distribution pipes and appurtenances, pumping stations, valves and hydrants, routine flushing of lines and exercising of valves for sustained water quality, replacement of customer water services, meters and meter readings, and for all sewer collection pipes and appurtenances, jetting of lines to maintain flows, and other collection system functions.

The Wastewater Operations group is responsible for all industrial pre-treatment programs, fats, oils, and grease programs. This group is also responsible for oversight of operations at the Regional Wastewater Treatment Facility, the pumping stations, and combined sewer overflows.

The financial planning and accounting responsibilities are divided between the Finance group and the Comptroller's group, which based on function ensures proper internal controls and segregation of duties are established and maintained. Both groups combine to effectively operate and manage the Commission's finances. Rate setting, cash management, customer billing and collection, and capital planning are the primary responsibilities of the Finance group. The Comptroller's primary focus is accounting, budget preparation, financial reporting, as well as internal and external audits.

The Information Technology (IT) group performs many strategic roles within the organization. IT maintains core systems that provide digital communication, accurate business planning, systematic management, real-time monitoring, instant customer support, and focuses on long-term business growth. IT offers and maintains technologies such as a robust infrastructure, database management, Geographical Information Systems, systems integration, and analytics along with maintaining all business tools employees use to perform their duties. This group also focuses on cyber security across all business platforms.

CUSTOMER BASE

The Service Area

The Commission serves a total population of approximately 250,000, or about 94% of the total population within the Commission's service area. Please see Table 11 in the Statistical Section for a breakdown by types of customers. The Commission's customer base includes residential population, businesses and industries, and various public, private, and nonprofit institutions in its respective service areas. Information regarding the Municipal Demographics for System Customers is set forth in the Tables found in the Statistical Section of this report.

Water System Customers

The Commission sells water at retail to the populations of Springfield and Ludlow based on metered usage. The Commission sells water based on metered usage to Solutia in accordance with a contract that expired on June 30, 2023. The Commission and Solutia executed a contract renewal in June 2023, that will extend the terms and conditions until June 30, 2033. Solutia is the largest single consumer of water provided by the Commission. The Commission also sells water to the communities of West Springfield and Westfield during peak demand periods based on metered usage.

The costs of operating the Commission's water supply and transmission systems are allocated to the following communities under regional water supply contracts based on a formula that considers each community's consumption with respect to total water output. Five-year contracts with the communities of Agawam and Southwick commenced on July 1, 2019. The Towns of Longmeadow and East Longmeadow contracts were negotiated in fiscal year 2020 to address changes in the contracts with respect to a few customers located in each other's community. The Town of East Longmeadow and Longmeadow contracts were ratified, signed, and will run until June 30, 2024. All reservoirs, treatment and storage facilities, pump stations, and water transmission mains, are owned by the Springfield Water and Sewer Commission. Each contracted regional community owns and maintains the water distribution pipes within its borders. The Commission owns all distribution pipes in Springfield and Ludlow.

Sewer System Customers

The operating costs for the Springfield Regional Wastewater Treatment Plant are allocated to the following users under contracts based on a formula that considers each participant's contribution of Flow, Biochemical Oxygen Demand, and Total Suspended Solids. Five-year contracts with the communities of Agawam, East Longmeadow, Ludlow, West Springfield, and Wilbraham commenced on July 1, 2021. The Commission is still in negotiations with the Town of Longmeadow, with expectations that once agreed a new contract will be executed and will run until June 30, 2026. A ten-year contract with the Commission's largest user, Solutia, commenced on February 9, 2015, that expires on June 30, 2025. Industrial user, Friendly's Ice Cream, dba Dean Foods, and the community of Chicopee also share about 1.3% of the annual plant operating costs under the same formula, as under the above contracts.

The share of operating costs attributable to the customers located in the City of Springfield, are billed directly to each account by the Commission as part of the local sewer rate established by the Commission. The Springfield Water and Sewer Commission owns the Springfield Regional Wastewater Treatment Plant, all Wastewater Pump Stations, and the respective Collection/Interceptor Pipes, including associated wastewater facilities, within the boundaries of the City of Springfield. All other communities own and maintain the collection systems within their respective borders, and they are responsible for the conveyance pipes to the Regional Wastewater Treatment Plant.

ECONOMY

The City of Springfield (the City, Springfield) is located in Western Massachusetts along the bank of the Connecticut River. Springfield is centrally located with Boston 90 miles to the east, Hartford 30 miles south, and New York City 150 miles southwest. Springfield is the hub of Western Massachusetts. The City is surrounded by its suburbs including Agawam, East Longmeadow, Longmeadow, Ludlow, West Springfield, and Wilbraham.

Springfield is the third largest City in the Commonwealth of Massachusetts behind the Cities of Boston and Worcester and is home to approximately 154,000 people. Springfield is the fourth largest City in New England.

Springfield is the region's cultural and economic center. Springfield is home to several of the region's largest employers, including Massachusetts Mutual Life Insurance Company, Baystate Health, Trinity Health Care, Smith & Wesson, Big Y, and MGM Springfield. Major cultural institutions include the Springfield Symphony, the Mass Mutual Center, and the Quadrangle Museums.

Springfield is located in Hampden County, which along with Hampshire and Franklin Counties, is collectively known as the "Pioneer Valley".

Nine hospitals and 100 clinics or related facilities make healthcare the largest private industry in Western Massachusetts and a leading economic driver for the region. Baystate Health, the parent organization of Baystate Medical Center, is a four-campus, 800-bed teaching and research facility, as well as the western campus of Tufts University School of Medicine.

Multi-national banks, the Springfield-based operations of the MassMutual Financial Group and Liberty Mutual as well as a dense concentration of insurance giants, all contribute to the region's financial services.

Springfield is the headquarters of the MassMutual Financial Group, an industry staple since 1851 that sits among the Fortune 100. A more recent addition to the financial services sector in Springfield is Liberty Mutual Insurance Group, the sixth-largest personal and car insurance company in the United States. Liberty Mutual moved some of its operations into Springfield Technology Park.

Hartford Connecticut, "The Insurance Capital of the World", is less than 30 minutes from downtown Springfield. Internationally known companies located there include Travelers, Aetna, The Hartford, ING, and The Phoenix Companies, Inc.

Banking also plays a major role in Pioneer Valley. Berkshire Bank, TD Bank, M & T Bank, Westfield Bank, People's Bank, Citizen's Bank, and Florence Savings Bank are the largest of these institutions.

The region's economy is in transition. Manufacturing was once the mainstay of the region's economy, employing more than 29 percent of the workforce in 1980. Like most of the nation, the Pioneer Valley region is experiencing an increasing shift from manufacturing to service sector jobs. Examples of professions in the service sector include healthcare, education, and other industries that focus on customer-provider interaction. From 1990 to 2000, the service sector's share of total private sector jobs grew from 36 to 41 percent and as of 2011 the service sector comprised 54 percent of the private sector. The fastest-growing industries were healthcare and social assistance, public administration, and utilities. In 2018, CRRC MA opened a newly constructed \$95 million manufacturing facility to produce rail cars for the MBTA Boston's Orange Line and Red Line.

The travel, tourism, and hospitality industries play a tremendous role in Massachusetts' Pioneer Valley. Tourism-related employment in Western Massachusetts totals nearly 5,000.

The Pioneer Valley tourism industry is boosted by the region's famed attractions, including Six Flags New England, Dr. Seuss National Memorial Sculpture Garden, Naismith Memorial Basketball Hall of Fame, Yankee Candle Village, and the Eric Carle Museum of Picture Book Art. The Valley is also known for unique festivals and fairs including The Big E, Bright Nights at Forest Park, the Paradise City Arts Festival, Holyoke's St. Patrick's Day Parade, Springfield's Puerto Rican heritage parade, Stone Soul Picnic, and many other ethnic festivals.

In August 2018, MGM Springfield opened in downtown - a \$960 million resort casino that covers a 3-block, 14.5-acre area. The development includes a 250-room hotel, many shops, restaurants, and bars. It also has a bowling alley, outdoor pavilion area, and a South End market. There is a 125,000-square-foot casino floor filled with slot machines, gaming tables, and sports betting. MGM is committed to bring high-end entertainment acts to the City of Springfield. The casino project employs approximately 1,450 jobs, and with this type of investment the City of Springfield is planning on the attraction to spur economic development to other parts of the downtown area.

The region offers higher education at many area colleges and universities. The University of Massachusetts, a leading national research university anchors a group of colleges in the region along with Smith, Mount Holyoke, and Amherst College. There are eight area schools centered in the Springfield

area. These include American International College, Bay Path University, Elms College, Holyoke Community College, Springfield College, Springfield Technical Community College, Western New England University, and Westfield State University.

Source: 1) Pioneer Valley Planning Council, Comprehensive Economic Development Strategy
2) Economic Development Council of Western Massachusetts

Coronavirus (COVID-19)

Since the start of the pandemic in early 2020, COVID-19 has caused disruptions and unpredictability to business and daily life in this country and around the world. The Commission believes it has managed these challenges and that it has sufficient resources to support any expected short term financial and operational impacts going forward.

The Commission offices and operations facilities continue to limit access to the public. The Commission continues to provide and fully expects to maintain all essential functions and services. All Commission employees are reporting to in-person work currently. The extent to which the coronavirus impacts the financial and operations of the Commission in future years will depend on future outbreaks and governmental responses to these outbreaks.

The U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act (“The Cares Act”) which was signed into law on March 27, 2020, and the American Rescue Plan (the “ARP”) Act of 2021, which was signed into law on March 11, 2021. The state of emergency in The Commonwealth expired on June 15, 2021. The federal COVID-19 public health emergency expired on May 11, 2023.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program supports the Commission’s mission to provide an uninterrupted, high-quality supply of water to our customers, to collect and treat wastewater, and return clean water to the environment. Capital projects provide a means to sustain service to our customers by economically rehabilitating or replacing infrastructure, improving efficiency of support systems, and meeting regulatory requirements.

In addition to ongoing asset replacement programs including water distribution system valves, fire hydrants, pipes, operating equipment, and meters, the following significant capital improvements are being undertaken to improve infrastructure sustainability and meet regulatory requirements.



Water Infrastructure Finance and Innovation Act (WIFIA)



(From left to right) Springfield Water and Sewer Commission (SWSC) Executive Director Josh Schimmel, Acting Regional Administrator Deborah Szaro (EPA Region 1), Congressman Richard Neal (MA-1), EPA Assistant Administrator for Water Radhika Fox, Springfield Mayor Domenic Sarno, Commissioner Vanessa Otero (SWSC), MassDEP Commissioner Martin Suuberg, Commissioner Daniel Rodriquez (SWSC), Commissioner William Leonard (SWSC), and Agawam Mayor William Sapelli appear at the funding announcement at the site of the Connecticut River Crossing Project on Bondi's Island.

In August of 2021, the Commission finalized a \$249 million WIFIA loan to support a commitment of more than \$550 million to infrastructure improvements over the next six years. Following a thorough financial analysis, it was determined that the innovative structuring of the WIFIA program provides the Commission the ability to undertake a more aggressive implementation schedule for much-needed investment while providing rate stability that could not be achieved through any other funding mechanisms.

The strategic program of comprehensive infrastructure investment will accelerate critical projects and produce beneficial outcomes for the region while preserving a sustainable and affordable rate structure.

The Commission's unique approach to funding the acceleration of a portfolio of prioritized projects not only delivers projects quicker, but it also reduces the risk and consequences of infrastructure failure which includes loss of service and increased repair costs. The program will also deliver quicker beneficial environmental outcomes and regulatory compliance than would have been achieved with other funding mechanisms. Utilization of the WIFIA program provides a pathway to responsible, sustainable, and much-needed investment.

Water

- Planning and design for the construction of improvements to the West Parish Filters (WPF) Water Treatment Plant (WTP) continued. As part of the process, the Commission contracted with Hazen and Sawyer, DPC to design the new WTP. The future water treatment processes will include coagulation,

flocculation, DAF, rapid sand filtration, disinfection, and corrosion control, as well as treatment plant residuals management systems for the collection and treatment of solids captured by the treatment processes. Design, permitting, and peer review are ongoing and are anticipated to be completed in early 2024. Construction is anticipated to begin in fiscal year 2025.

- Design continued for the rehabilitation of the approximately 2-mile long 42-inch diameter Raw Water Conveyance (RWC) pipe and control valve system and new energy dissipation valve facility. Design and permitting are anticipated to be completed in 2023, with bidding in fiscal year 2024
- Construction of the Clearwell and Backwash Pump Station continued in fiscal year 2023, with construction anticipated to be complete in fiscal year 2024.
- Upgrades to the existing gaseous chlorine system were completed at the West Parish Filters WTP, as well as the installation of a new bulk chemical storage system for the primary coagulant. This work was initiated in fiscal year 2022 and completed in fiscal year 2023.
- Planning and peer review for the removal of existing residuals from the Upper Lagoon was completed in fiscal year 2023. Design and permitting for the removal and disposal of the accumulating residuals will begin in fiscal year 2024.
- Conceptual design was initiated for a new CT disinfection monitoring station at the Provin Mountain water storage tanks. Design is anticipated to begin in fiscal year 2024.
- Preliminary design was completed for the fiscal year 2024-2026 watermain improvement projects. The projects are anticipated to be designed in fiscal year 2024, with construction continuing through fiscal year 2026.
- A Water Distribution System Optimization Study was completed with Wright-Pierce to evaluate distribution system hydraulics and make operational and capital improvement recommendations to optimize system water age, water quality, available fire flow, and redundancy.
- Design and bidding were completed for 3,000 linear feet of watermain replacement at Saint James Avenue as part of a Mass DOT project (construction in fiscal year 2024). In addition, design and peer review was completed for 7,680 linear feet of water main replacement at Sumner Avenue near Dickenson Street and Belmont Avenue, “the X”, as part of a Mass DOT project (bidding in fiscal year 2024), and 4,653 linear feet of water main replacement on Westford Circle, Dover Street, and Wilbraham Road (bidding in fiscal year 2025). Design was completed for Phase 1 and 2 repairs to the Provin Mountain Water Storage Tanks 3 and 4. Bidding and construction is anticipated to begin in fiscal year 2024.
- Completed emergency repairs to the Birnie Avenue water transmission main in response to a recent pipe failure on the 36-inch PCCP Northeast Trunk Main near the Birnie Avenue Valve Chamber. In addition, design was initiated with Kleinfelder for water main repair/replacement to reduce risk and provide system sustainability. Design completion is anticipated in fiscal year 2024.
- Additional current fiscal year water improvement projects include:
 - Repairs to Filter No. 6 at the West Parish Filters Water Treatment Plant was completed, as well as replacement of filter underdrain nozzles in the remainder of the filters.
 - A Potential Failure Mode Analysis (PFMA) exercise was completed for the Cobble Mountain Dam by GEI. GEI also identified viable measures to minimize and lower risks as part of the analysis.

- Mold abatement was completed at the West Parish Filters Water Treatment Facility by Apex Abatement and Demolition, and new insulation was installed by Spath & Son.
- Installation of a new ventilation hood system at the Cobble Mountain Diversion Gates.
- Safety improvements including the installation of a new fall protection system at the ICS chamber and the installation of new ladders at Slow Sand Filters 15-18 Control Building.
- Rehabilitation of the effluent valve for Slow Sand Filter No. 17 was completed.
- A leak detection and smart meters technology study was completed with Wright-Pierce. Three selected technologies are planned to be piloted in fiscal year 2024.
- A source water quality optimization study was initiated with Hazen and Sawyer to help optimize the existing monitoring program.
- Closeout activities for the fiscal year 2019-2020 watermain replacement project were completed including CCTV inspections, pavement restoration, and record plan development.

Wastewater

- Annual comprehensive sewer collection system cleaning, condition assessment, and system mapping.
- Continued construction of the York Street Pump Station and Connecticut River Crossing project. Startup of the new pump station was completed in fiscal year 2023, and closeout and other construction activities are anticipated to be complete in fiscal year 2024.
- Construction of the Locust Transfer and Flow Optimization project upgrades project began and will continue into fiscal year 2024. The improvements are pursuant to the Integrated Wastewater Plan (IWP) and Phase 3 Workplan, and fundamentally address three objectives: redundancy of critical infrastructure, operational flexibility, and CSO abatement.
- Design and bidding of a new grit removal system at the Springfield Regional Wastewater Treatment Plant was started and will be completed in fiscal year 2024.
- Design was completed and construction began for the aeration system upgrades and electrical improvements project at the Springfield Regional Wastewater Treatment Plant. The project includes upgrades to the aeration basins to improve nutrient removal as well as a new electrical service, replacement of electrical equipment, and HVAC upgrades. Anticipated completion is in November 2024.
- Closeout activities for the fiscal year 2022 Sanitary Sewer Infrastructure Improvements were completed, including site grading and restoration work, as well as replacement of approximately 305 feet of the 24-inch Cemetery Brook Sewer.
- Design and bidding of the fiscal year 2023 Sanitary Sewer Infrastructure Improvements was completed by Kleinfelder. The project includes sprayed-in-place pipe (SIPP) lining of approximately 577 LF of the 60-inch x 40-inch egg-shaped brick sewer pipelines on Main Street in the Court Square area, from Court Street to State Street; rehabilitation of an offset sewer manhole structure at the intersection of Main Street and Court Street; and cleaning and inspection of various additional segments of sewer main slated for lining. Construction began in fiscal year 2023 and is anticipated to be complete in fiscal year 2024.

- Preliminary design was completed for the fiscal year 2024-2026 sewer infrastructure improvements projects. The projects are anticipated to be designed in fiscal year 2024, with construction continuing through fiscal year 2026.

Power Generation

- An alternative analysis and master plan was completed for the Cobble Mountain Hydropower Station, including the existing penstocks. Conceptual design is anticipated to be completed in fiscal year 2024.

System-Wide Support

- Continued support of the Commission's Fleet and Rolling Stock Equipment replacement programs.
- Replace end-of-life Cisco network switches and systems so that they are supported by manufacturer and can be updated to protect against exploits and vulnerabilities. This an ongoing project, the central datacenter Cisco network switches have been replaced as well as remote network switches at multiple sites. Project completion estimate during the 4th quarter of fiscal year 2024.
- WIFI has been deployed to all Commission locations with few exceptions. Project completion date estimated during the 3rd quarter of fiscal year 2024.
- Multi-factor authentication on remote access applications and services have been completed.
- Complete rebuild of the SCADA data center servers, storage, and network at 2 locations for system fault tolerance and high availability. This an ongoing project with an estimated completion date during the 3rd quarter of fiscal year 2024.
- Deploy cyber security solutions within the SCADA network to protect systems from potential threats to operations is an ongoing project.
- Development of a facilities master plan, facilities security improvements as well as short- and long-term improvements to Commission properties. On-going project addressing facility maintenance, enhancements, and repairs. This includes but not limited to access control, security upgrades, comprehensive and basic repair needs.
- Acquire strategic parcels of land to support the facilities master plan.

Three sources fund the Commission's Capital Improvement Program as indicated in Table I, Revenues and Reserves and two sources of bonds. Bonding, which will fund 68% of the three-year capital plan includes Federal Water Infrastructure Financing (WIFIA) Loans and State Revolving Fund (SRF) loans. The Commission will utilize WIFIA loans to finance 41% of the bonded Projects and 59% of the bonded projects will be financed with SRF loans. Projects typically funded through bonds are large scale projects over \$1 million.

Table I

**2024-2026 Capital Improvement Program
Funding Sources**

| Funding Source | 2024 | 2025 | 2026 |
|-----------------------|-----------------------|---------------------|----------------------|
| Revenues and Reserves | \$ 13,376,720 | \$ 9,799,000 | \$ 10,648,300 |
| Bonds WIFIA | \$ 20,746,500 | - | - |
| Bonds Revenue | \$ 174,661,000 | - | - |
| Grand Total | \$ 208,784,220 | \$ 9,799,600 | \$ 10,648,300 |

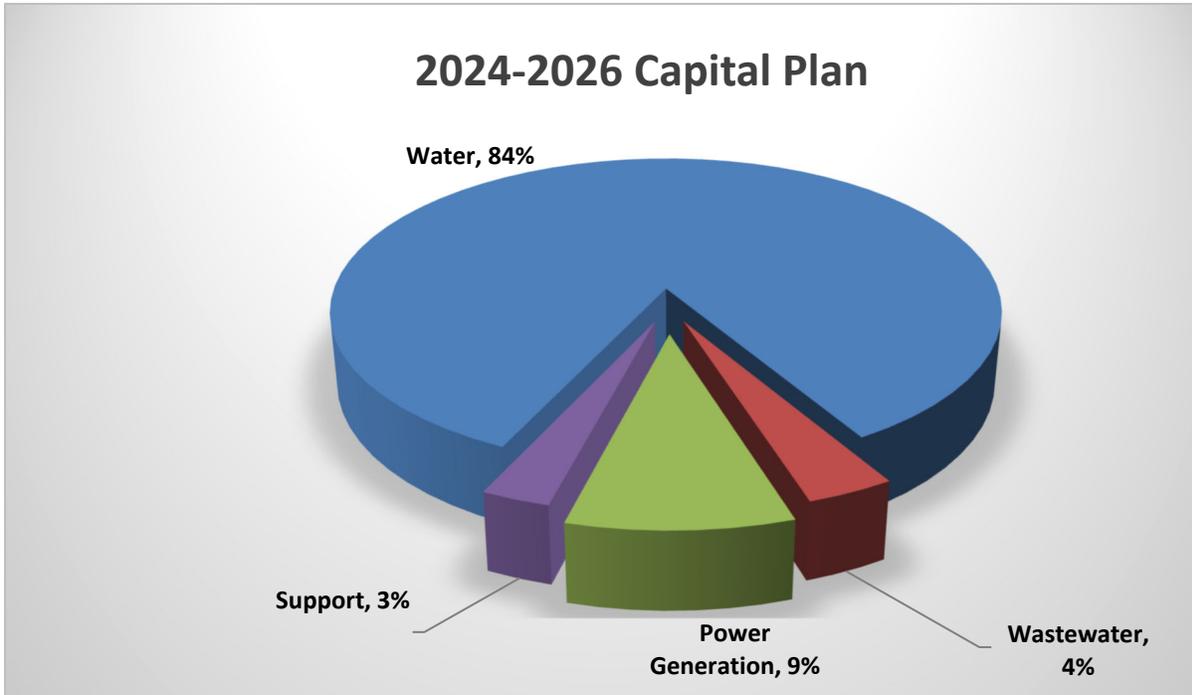
Table II

**2024-2026 Capital Improvement Program
Funding of Activity Areas**

| Activity Area | 2024 | 2025 | 2026 |
|----------------------|-----------------------|---------------------|----------------------|
| Water | \$ 183,599,600 | \$ 6,063,600 | \$ 4,062,300 |
| Wastewater | \$ 1,300,000 | \$ 2,050,000 | \$ 4,900,000 |
| Power Generation | \$ 20,522,120 | \$ 136,000 | \$ 136,000 |
| Support | \$ 3,362,500 | \$ 1,550,000 | \$ 1,550,000 |
| Grand Total | \$ 208,784,220 | \$ 9,799,600 | \$ 10,648,300 |

Revenues and reserves are generated from wholesale and retail customer revenues, power generation revenues, grants, and miscellaneous collected fees. Revenues and reserves typically fund projects less than \$1 million, including planning and design, ongoing asset replacement projects such as fire hydrants, pipe replacement, meter replacement, and the replacement of operating equipment.

Over the next three years, capital expenditures are expected to fund 84% water improvements, 4% wastewater improvements, 9% power generation projects, and 3% support projects.



FINANCIAL INFORMATION

Administrative Controls

Internal controls are procedures designed to protect assets from loss, theft, or misuse, to check the accuracy of accounting data, to promote operational efficiency, to facilitate the preparation of financial statements, to satisfy other reporting requirements, and to encourage compliance with managerial policies.

The Commission is responsible for establishing a system of internal controls that provides reasonable assurance that these objectives are met. The concept of reasonable assurance stipulates the cost of a control should not exceed the benefits likely to be derived and that the valuation of cost and benefits requires estimates and judgments by management.

Federal and State financial assistance programs require recipients to comply with a number of laws and regulations. Administrative controls are procedures designed to ensure compliance with the requirements of the programs under which it receives financial assistance.

As with other internal controls, this system is subject to periodic review and evaluation by management or by the Commission's independent auditors.

Long-Term Financial Planning

The Springfield Water and Sewer Commission was established under Massachusetts General Laws Chapter 40N. The Commission is responsible for the operation and maintenance of the water supply, transmission and distribution systems, as well as wastewater collection and treatment, which serve the City of Springfield, Town of Ludlow, and surrounding communities. In compliance with the General Bond Resolution, the Commission approved its Capital Expenditure program totaling \$229,232,120 for the three-year period 2024-2026. Expenditures are divided into four categories: Water Projects totaling

\$193,725,500, Wastewater Projects totaling \$8,250,000, Power Generation Projects totaling \$20,794,120, and other Support Projects totaling \$6,462,500.

Funding approval for the fiscal year 2024 Capital Projects total \$208,784,220. The spending plan is as follows: Water Projects total \$183,599,600 (88%), Wastewater Projects total \$1,300,000 (<1%), Power Generation Projects total \$20,522,120 (10%), and other Support Projects total \$3,362,500 (<2%).

The various infrastructure capital projects scheduled in fiscal year 2024 include:

Water

- Final design, permitting, bidding, and construction of the new West Parish Water Treatment Plant (WTP). Construction is anticipated to begin in fiscal year 2025. The project includes a new 65-mgd treatment facility to replace the aging slow sand and direct filtration plant. The new facility will include coagulation, flocculation, DAF clarification, filtration, and new supporting facilities including piping, chemical feed, and residuals handling. The new facility will also include new office and laboratory space.
- Final design, permitting, bidding, and construction for the rehabilitation and replacement of the 2-mile long 42-inch Raw Water Conveyance Pipeline and energy dissipation valves and equalization tank for the 42-inch bypass supply to the water treatment plant.
- Startup and closeout phase construction activities for the new 0.5 million-gallon Clearwell and Backwash Pump Station at WPF.
- Design and permitting for the removal of residuals from the Upper Lagoon.
- Design of a new flow metering and sampling station at the Provin Mountain Storage Facility for primary disinfection compliance.
- Final design for the fiscal year 2024-2026 watermain improvements projects will begin in fiscal year 2024. These projects include distribution system infrastructure that is ranked as grade 5 (highest priority) on the Commission's water infrastructure asset management and capital improvements plan. In addition, the fiscal year 2024 watermain improvement projects will be bid.
- Various facility improvement projects at the WPF campus, including miscellaneous safety and process improvements, and upgrades to the chlorine gas system.
- Design and construction of various Mass DOT projects, including construction of 3,000 linear feet of watermain replacement at Saint James Avenue, and design, bidding, and construction of 7,680 linear feet of water main replacement at Sumner Avenue near Dickenson Street and Belmont Avenue "the X".
- Final design, bidding, and construction of improvements to the 36-inch PCCP Northeast Trunk Main and replacement of the valves and piping at the Birnie Avenue Valve Chamber.
- Piloting of selected leak detection technologies identified in a recently completed leak detection technologies study. Following completion of the pilot program, leak detection will be completed on approximately 25% of the distribution system as part of a comprehensive leak detection program.
- Bidding and construction of the Phase 1 improvements at the Provin Mountain Tanks 3 and 4. Final design of the Phase 2 improvements at the Provin Mountain Tanks 3 and 4, with construction planned in fiscal year 2025.
- Preparation of a drought management plan for the Cobble Mountain Reservoir, as well as the purchase of a water quality monitoring buoy for the reservoir.

- Various dam related activities, including vegetation clearing of the Commission’s dams; inspection of the significant and high hazard dams for compliance with state regulations; preparation of a dam’s master plan, and updates to the Operations and Maintenance manuals for the dams.
- Various assessments and improvements throughout the watersheds including permitting and bidding of the Borden Brook culvert replacement, culvert and slope repairs at the Ludlow Reservoir and Jabish Canal; design and permitting of repairs to the Borden Brook and Sugar Creek Bridges; and geotechnical evaluations and planning for repairs to the Borden Brook Spillway.

Wastewater

- Annual cleaning and assessment of the sewer collection system.
- Development of regional biosolids study for the Springfield Regional Wastewater Treatment Plant.
- Closeout and startup activities for the construction of the York Street Pumping Station and Connecticut River sewer crossing and CSO project.
- Continued construction of the Locust Transfer and Flow Optimization project upgrades.
- Construction of the new grit removal system at the wastewater treatment plant.
- Construction of the aeration system upgrades and electrical improvements project at the Springfield Regional Wastewater Treatment Plant. The project includes upgrades to the aeration basins to improve nutrient removal as well as a new electrical service, replacement of electrical equipment, and HVAC upgrades.
- Construction of the fiscal year 2023 Sewer Infrastructure Improvements project which entails sprayed-in-place pipe (SIPP) lining of approximately 577 linear feet of the 60-inch x 40-inch egg-shaped brick sewer pipelines on Main Street in the Court Square area, from Court Street to State Street; rehabilitation of an offset sewer manhole structure at the intersection of Main Street and Court Street; and cleaning and inspection of various additional segments of sewer main slated for lining.
- Final design for the fiscal year 2024-2026 wastewater collection system infrastructure projects, which include infrastructure to be replaced or rehabilitated that is highly ranked on the Commission’s prioritized infrastructure improvements model, and/or has been identified by the Commission’s Sewer Operations Department as in critical need for improvements or is located near the proposed coincidental high priority water infrastructure replacement projects. The fiscal year 2024 sewer improvements project will also be bid.

Power Generation

- Procurement of materials for and the installation of new transmission line conductors for the new power transmission poles for power transmission (637 Line) installed in the previous year.
- Design and permitting for the Cobble Mountain Hydropower Station improvements project. The project includes the restoration of the Unit No. 3 turbine-generator via refurbishment and replacement of generating unit components. The project also includes upgrades to modernize the hydropower station to allow the plant to provide reliable, long-term operation into the future.
- Miscellaneous improvements at the Cobble Mountain Hydropower Station including dewatering and inspection of Unit No. 1 and any necessary repairs identified, as well as purchase of a trailer-mounted backup generator for the Broome Gate and Diversion Gate buildings.

Other Support Projects

- Development of a Commission-wide Hazard Mitigation Plan.
- Continued support of the Commission’s Fleet and Rolling Stock Equipment replacement programs.
- Continued support of the Commission’s asset management program, including repairs to the Worcester Street and Chapin Street pump stations, the Commission’s Bondis Island and Colton Street headquarters, and other improvements projects.
- Various improvements projects in support of the Commission’s Information Systems and Network Equipment including system infrastructure and equipment upgrade projects.

Certificate of Achievement for Excellence in Financial Reporting

The Commission was awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022. This was the ninth consecutive year that the Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Commission had to publish an easily readable and efficiently organized ACFR that satisfied both Generally Accepted Accounting Principles and applicable program requirements.

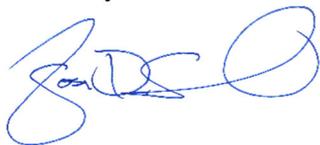
A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for award.

Acknowledgements

We wish to express our appreciation to the Financial Group and the Administration’s senior staff for compiling the information necessary to complete the Annual Comprehensive Financial Report.

We also give special recognition to the Board of Water and Sewer Commissioners for their continuous support to strive for and maintain the highest standards in the management of the Springfield Water and Sewer Commission finances.

Sincerely,



Joshua D. Schimmel
Executive Director



Anthony J. Basile
Comptroller



Government Finance Officers Association

Certificate of
Achievement for
Excellence in
Financial
Reporting

Presented to

**Springfield Water and Sewer Commission
Massachusetts**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

SPRINGFIELD WATER AND SEWER COMMISSION

Commissioners

Daniel Rodriquez, Chairman
Vanessa Otero
Matthew Donnellan

Senior Management

Joshua D. Schimmel, Executive Director
Darleen Buttrick, Director of Engineering
Anthony J. Basile, Comptroller
Domenic P. Pellegrino, Finance Director
James R. Laurila, Drinking Water Operations Director
Daniel J. DiRienzo, Field Services Director
Steven Frederick, Wastewater Operations Director
Ricardo Gomez, Information Technology Director
Theo Theocles, Director of Legal Affairs/Procurement Officer
Susan Tower, Laboratory and Regulatory Manager
Jaimye Bartak, Communications Manager

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Commissioners
Springfield Water and Sewer Commission
Springfield, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Springfield Water and Sewer Commission (the Commission), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Springfield Water and Sewer Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Springfield Water and Sewer Commission, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further discussed in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Operating Expenses – Budget and Actual was presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report (ACFR). The other information comprises the introductory and statistical sections but does not include the financial statements and our auditors' report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Marcum LLP

Greenfield, MA
December 5, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Springfield Water and Sewer Commission (the Commission), we offer readers this narrative overview and analysis of the financial activities of the Springfield Water and Sewer Commission for the fiscal year ended June 30, 2023.

Overview of the Financial Statements and Financial Highlights

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows, (4) the Statement of Fiduciary Net Position, (5) the Statement of Changes in Fiduciary Net Position and (6) Notes to Basic Financial Statements. This report also contains required and other supplementary information and other information in addition to the basic financial statements themselves.

The Statement of Net Position is designed to indicate our financial position as of a specific point in time. At the close of the current fiscal year, net position was \$156,587,095.

The Statement of Revenues, Expenses, and Changes in Fund Position summarizes our operating results. As discussed in more detail below, the Commission's change in net position for the year ended June 30, 2023, was a change of \$17,293,449 in comparison to the prior year net position.

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period.

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position account for resources held for the benefit of parties outside the Commission.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which is required to be disclosed by accounting principles generally accepted in the United States of America, and other supplementary information.

Summary of Net Position and Changes in Net Position

The following is a summary of condensed financial data for the current and prior fiscal year.

| | <u>2023</u> | | <u>2022</u> |
|---------------------------------------|-----------------------|--|-----------------------|
| Assets | | | |
| Current and other assets | \$ 143,952,250 * | | \$ 444,594,725 |
| Capital assets | <u>535,011,410</u> | | <u>455,656,564</u> |
| Total Assets | 678,963,660 | | 900,251,289 |
| Deferred Outflows of Resources | 107,109,393 | | 98,559,706 |
| Liabilities | | | |
| Other liabilities | 54,926,245 | | 124,232,253 |
| Long-term liabilities | <u>371,839,892</u> | | <u>547,168,634</u> |
| Total Liabilities | 426,766,137 * | | 671,400,887 |
| Deferred Inflows of Resources | 202,719,821 | | 188,116,462 |
| Net Position | | | |
| Net investment in capital assets | 228,994,258 | | 201,071,124 |
| Restricted | 67,717,316 | | 62,790,797 |
| Unrestricted | <u>(140,124,479)</u> | | <u>(124,568,275)</u> |
| Total Net Position | \$ <u>156,587,095</u> | | \$ <u>139,293,646</u> |

* *Accounts receivable and short- and long-term payables were reduced for amounts not drawn or received by client as of June 30, 2023.*

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. At the close of the most recent fiscal year, total net position was \$156,587,095, a change of \$17,293,449 in comparison to the prior year.

The Commission's net position is comprised of \$228,994,258 invested in capital assets, net of related debt, \$67,717,316 restricted for other purposes, namely restricted cash and inventory, and a deficit of \$(140,124,479) in unrestricted.

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| Operating Revenues | | |
| Water and sewer usage | \$ 97,763,074 | \$ 90,228,684 |
| Other | <u>2,221,834</u> | <u>1,655,823</u> |
| Total Operating Revenues | 99,984,908 | 91,884,507 |
| Operating Expenses | | |
| Salaries and wages | 16,021,843 | 15,013,330 |
| Employee benefits | 11,458,635 | 9,182,040 |
| Operations | 31,048,637 | 26,865,756 |
| Intergovernmental | 564,401 | 622,920 |
| Capital outlay | 779,869 | 1,979,035 |
| Depreciation and amortization | 9,758,383 | 9,931,582 |
| Other | <u>951,526</u> | <u>882,672</u> |
| Total Operating Expenses | <u>70,583,294</u> | <u>64,477,335</u> |
| Operating Income | 29,401,614 | 27,407,172 |
| Nonoperating Revenues (Expenses) | | |
| Interest income (loss) | 3,483,569 | (1,105,289) |
| Interest expense | (6,477,426) | (5,959,800) |
| Grant reimbursement revenue | 3,744,112 | 1,739,905 |
| Excess Revenues Used to Fund Deferrals | <u>(12,858,420)</u> | <u>(26,145,756)</u> |
| Change in Net Position | 17,293,449 | (4,063,768) |
| Net Position, Beginning of Year | <u>139,293,646</u> | <u>143,357,414</u> |
| Net Position, End of Year | <u>\$ 156,587,095</u> | <u>\$ 139,293,646</u> |

Financial Analysis of the Commission

The Commission ended the year with operating income of approximately \$29.4 million. The following paragraphs give an overview of the fiscal year activity.

It has been the practice of the Commission to establish its rates and charges for water and wastewater services at levels sufficient to produce revenues adequate to defray all operation and maintenance expenses, debt service, and reserve deposits projected by the Commission's consulting engineers and to maintain net revenues available for debt service in excess of the coverage requirements mandated by the General Bond Resolution. Until fiscal year 2010, the Commission had historically adjusted its rates and charges for water and wastewater services on a basis, which stabilized rates and charges over a multi-year period. Beginning in fiscal year 2011, the Commission has adopted single-year rate schedules to match revenues more closely to expenditures.

The Commission is required to file each year with Electronic Municipal Market Access (EMMA), the Commission's Annual Comprehensive Financial Report (1) the filing is being made merely to comply

with contractual commitments, not to provide all information material to an investment in the linked securities, and does not purport to provide all such information, (2) consequently, the information set forth in the filing should not be relied upon as indicative of future financial performance.

In fiscal year 2023, there was an increase in collection efforts, however, overall usage was lower than anticipated. As a result, wastewater charges revenue and fees were approximately \$1.4 million lower than budget. Wholesale water charges and fees were lower than budget by approximately \$255,000. Power generation revenues were higher than estimates by approximately \$359,000. These and other factors resulted in total operating revenue of approximately \$100 million in fiscal year 2023, approximately \$686,000 more than budget, and \$8.1 million more than the prior year.

Operating expenses were less than budget by approximately \$2.7 million, primarily as a result of conservative budgeting for general operational expenses. There were also vacant positions and less overtime needed than anticipated.

To accommodate the rate-making process, the Commission follows the accounting standards set forth in Governmental Accounting Standards Board Statement No. 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 allows certain board approved (a) revenues provided for future allowable costs to be deferred until the costs are actually incurred (deferred inflows) and (b) costs incurred to be capitalized if future recovery is reasonably assured (deferred outflows). In the Commission's case, revenue intended to fund capital asset acquisitions is set aside (deferred) and is recognized equal to the annual depreciation expense on those assets; depreciation expense on assets funded in other ways (such as through bonds) is removed from the statement of revenues, expenses, and changes in net position because those costs are not factored into the budget process; conversely, because principal debt repayment costs are funded through the budget, those costs are reflected in the statement of revenues, expense, and changes in net position as a reduction to net position. The net effect of these adjustments is reported under the line "Excess revenues used to fund deferrals" on the Statement of Revenues, Expenses, and Changes in Net Position. This was a decrease of \$(12,858,420) for fiscal year 2023.

As a result of the key elements described above, the activities for the year resulted in a change in net position of \$17,293,449.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets at year-end amounted to \$535,011,410 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and fixtures, vehicles and equipment, infrastructure, and construction in progress.

Major capital assets events during the current fiscal year included the following (in thousands):

| | |
|--|------------|
| Depreciation expense | \$ (9,758) |
| Acquisition/construction of: | |
| York Street and river design projects | 29,585 |
| Water production facility projects | 20,816 |
| Waste water treatment system improvements projects | 20,511 |
| Various other rehab and improvement projects | 7,902 |
| Water treatment system improvements projects | 2,136 |
| Sewer main rehabilitation projects | 1,938 |
| Distribution system rehabilitation projects | 1,539 |
| New vehicle and equipment purchases | 1,502 |
| Collection system assessment and rehabilitation | 1,393 |
| Computer software and equipment purchases | 746 |
| Meter replacements | 447 |
| Bypass and tunnel construction | 296 |
| Provin Reservoir tank projects | 164 |
| Biosolids | 83 |
| Hydrant projects | 56 |

Additional information on the Commission’s capital assets can be found in the Notes to Basic Financial Statements, Note 10, *Capital Assets*.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$292,589,052, all of which was backed by dedicated revenues of the Commission.

The Commission maintained their AA credit rating from Standard & Poor’s (S&P) in the most recent bond rating in June 2021 for the secured loan issued by the U.S. Environmental Protection Agency under the Water Infrastructure Finance and Innovation Act (the WIFIA loan). At the same time, S&P affirmed the AA rating on the Commission’s parity debt outstanding.

Additional information on the Commission’s long-term debt can be found in the Notes to Basic Financial Statements, Note 13, *Long-Term Debt*.

Requests for Information

This financial report is designed to provide a general overview of the Springfield Water and Sewer Commission’s finances for all those with an interest in the Commission’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Public Communications Director
Springfield Water and Sewer Commission
P.O. Box 995
Springfield, MA 01101-0995

SPRINGFIELD WATER AND SEWER COMMISSION

Statement of Net Position

June 30, 2023

Assets

Current:

| | |
|--|----------------|
| Cash and short-term investments | \$ 49,629,615 |
| Investments | 6,189,680 |
| Restricted cash | 47,527,784 |
| Restricted investments | 17,849,283 |
| Accounts receivable, net of allowance for uncollectibles | 11,633,066 |
| Intergovernmental receivables | 6,305,732 |
| Inventory for consumption, net of allowance | 1,607,056 |
| Other assets | <u>157,731</u> |

Total Current Assets 140,899,947

Noncurrent:

| | |
|---|--------------------|
| Intergovernmental receivables, net of current portion | 701,807 |
| Inventory held by others | 1,855,269 |
| Health insurance deposit | 495,227 |
| Capital assets: | |
| Nondepreciable capital assets | 214,448,868 |
| Other capital assets, net of accumulated depreciation | <u>320,562,542</u> |

Total Noncurrent Assets 538,063,713

Total Assets 678,963,660

Deferred Outflows of Resources

| | |
|--------------------|-------------------|
| Related to pension | 6,520,421 |
| Related to OPEB | 2,191,913 |
| Other | <u>98,397,059</u> |

Total Deferred Outflows of Resources 107,109,393

(continued)

The accompanying notes are an integral part of these financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

Statement of Net Position

June 30, 2023

(continued)

Liabilities

Current:

| | |
|--|--------------|
| Accounts payable | \$ 8,847,277 |
| Accrued payroll and withholdings | 341,013 |
| Notes payable | 21,462,225 |
| Accrued interest payable | 2,991,515 |
| Other liabilities | 2,936,652 |
| Current portion of long-term liabilities | |
| Bonds and loans payable | 18,306,320 |
| Compensated absences | 41,243 |

Total Current Liabilities 54,926,245

Noncurrent:

| | |
|---|-------------|
| Bonds and loans payable, net of current portion | 274,282,732 |
| Compensated absences, net of current portion | 1,438,382 |
| Net pension liability | 73,846,518 |
| Net OPEB liability | 21,937,664 |
| Accrued workers' compensation | 334,596 |

Total Noncurrent Liabilities 371,839,892

Total Liabilities 426,766,137

Deferred Inflows of Resources

| | |
|--------------------|-------------|
| Related to pension | 1,096,220 |
| Related to OPEB | 5,979,844 |
| Other | 195,643,757 |

Total Deferred Inflows of Resources 202,719,821

Net Position

| | |
|---|---------------|
| Net investment in capital assets | 228,994,258 |
| Restricted for: | |
| Reserve for inventory | 3,462,325 |
| Reserve for stabilization fund | 17,669,189 |
| Reserve for debt covenants and scholarships | 46,585,802 |
| Unrestricted | (140,124,479) |

Total Net Position \$ 156,587,095

The accompanying notes are an integral part of these financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2023

| | |
|---|-----------------------|
| Operating Revenues | |
| Water and sewer usage | \$ 97,763,074 |
| Other | <u>2,221,834</u> |
| Total Operating Revenues | 99,984,908 |
| Operating Expenses | |
| Salaries and wages | 16,021,843 |
| Employee benefits | 11,458,635 |
| Operations | 31,048,637 |
| Intergovernmental | 564,401 |
| Capital outlay | 779,869 |
| Depreciation and amortization | 9,758,383 |
| Other | <u>951,526</u> |
| Total Operating Expenses | <u>70,583,294</u> |
| Operating Income | 29,401,614 |
| Nonoperating Revenues (Expenses) | |
| Investment income | 3,483,569 |
| Interest expense | (6,477,426) |
| Grant reimbursement revenue | <u>3,744,112</u> |
| Total Nonoperating Revenues (Expenses), Net | <u>750,255</u> |
| Excess Revenues Before Transfer Requirement | 30,151,869 |
| Excess Revenues Used to Fund Deferrals | <u>(12,858,420)</u> |
| Change in Net Position | 17,293,449 |
| Net Position, Beginning of Year | <u>139,293,646</u> |
| Net Position, End of Year | <u>\$ 156,587,095</u> |

The accompanying notes are an integral part of these financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

Statement of Cash Flows
For the Year Ended June 30, 2023

| | |
|---|----------------------|
| Cash Flows From Operating Activities | |
| Receipts from customers and users | \$ 98,742,788 |
| Payments to vendors | (39,708,091) |
| Payments to employees | <u>(13,465,527)</u> |
| Net Cash Provided By Operating Activities | 45,569,170 |
| Cash Flows From Noncapital Financing Activities | |
| Intergovernmental receipts | <u>164,372</u> |
| Net Cash Provided By Noncapital Financing Activities | 164,372 |
| Cash Flows From Capital and Related Financing Activities | |
| Acquisition and construction of capital assets | (89,113,229) |
| Proceeds of intergovernmental notes and grants | 69,225,156 |
| Principal payments on bonds and loans | (14,328,132) |
| Interest expense | <u>(5,556,207)</u> |
| Net Cash (Used For) Capital and Related Financing Activities | (39,772,412) |
| Cash Flows From Investing Activities | |
| Investment income | 3,483,569 |
| Sale of investments | <u>7,512,673</u> |
| Net Cash Provided By Investing Activities | <u>10,996,242</u> |
| Net Change in Cash and Short-Term Investments and Restricted Cash | 16,957,372 |
| Cash and Short-Term Investments and Restricted Cash, Beginning of Year | <u>80,200,027</u> |
| Cash and Short-Term Investments and Restricted Cash, End of Year | <u>\$ 97,157,399</u> |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities | |
| Operating income | \$ 29,401,614 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 9,758,383 |
| Changes in assets, liabilities, and deferred outflows/inflows: | |
| Accounts receivable | (1,242,120) |
| Inventory | (182,281) |
| Deferred outflows - related to pension | (3,035,733) |
| Deferred outflows - related to OPEB | 822,090 |
| Accounts payable and accrued payroll and withholdings | 8,302,278 |
| Accrued compensated absences | (151,878) |
| Net pension liability | 7,130,786 |
| Net OPEB liability | (587,055) |
| Deferred inflows - related to pension | (4,881,518) |
| Deferred inflows - related to OPEB | 74,551 |
| Accrued workers' compensation | <u>160,053</u> |
| Net Cash Provided By Operating Activities | <u>\$ 45,569,170</u> |

The accompanying notes are an integral part of these financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

Statement of Fiduciary Net Position
Other Post-Employment Benefit Trust Fund
June 30, 2023

| | |
|---------------------------|----------------------------|
| Assets | |
| Cash | \$ 32,301 |
| Investments: | |
| Corporate equities | 418,243 |
| Equity mutual funds | 4,241,048 |
| Fixed income mutual funds | <u>1,777,934</u> |
| Total Investments | <u>6,437,225</u> |
| Total Assets | 6,469,526 |
| Net Position | |
| Restricted for OPEB | <u>6,469,526</u> |
| Total Net Position | <u><u>\$ 6,469,526</u></u> |

The accompanying notes are an integral part of these financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

Statement of Changes in Fiduciary Net Position
Other Post-Employment Benefit Trust Fund
For the Year Ended June 30, 2023

| | |
|--------------------------------|----------------------------|
| Additions | |
| Employer contributions | \$ 1,345,527 |
| Investment income | <u>449,447</u> |
| Total Additions | 1,794,974 |
| Deductions | |
| Benefit payments | <u>595,527</u> |
| Change in Net Position | 1,199,447 |
| Restricted Net Position | |
| Beginning of Year | <u>5,270,079</u> |
| End of Year | <u><u>\$ 6,469,526</u></u> |

The accompanying notes are an integral part of these financial statements.

SPRINGFIELD WATER AND SEWER COMMISSION

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Springfield Water and Sewer Commission (the Commission) conform to accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies of the Commission:

Business Entity

The Commission has the responsibility to provide water and wastewater services on a fair and equitable basis to the City of Springfield, Massachusetts (the City) and to provide wholesale water and regional wastewater services to other participating communities.

Regulation and Basis of Accounting

The Springfield Water and Sewer Commission was created in July 1996 under Massachusetts General Laws Chapter 40N; however, the Commission did not become a separate accounting entity until July 1997. Under Massachusetts General Laws Chapter 40N, the Board of Commissioners (the Board), appointed by the Mayor of the City of Springfield, establishes policies for accounting and other matters. The Board regulates the rates that the Commission can charge its customers for water and sewer usage. The rates charged to customers are based on the cash required for the Commission's operations, debt service, and reserve contributions.

To comply with the external financial reporting requirements of the Board, the accompanying financial statements are presented on a basis that is consistent with generally accepted accounting principles in the United States of America (GAAP) for proprietary (enterprise) funds.

To accommodate the rate-making process, the Commission follows the accounting standards set forth in Governmental Accounting Standards Board Statement No. 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 allows certain board approved (a) revenues provided for future allowable costs to be deferred until the costs are actually incurred (deferred inflows) and (b) costs incurred to be capitalized if future recovery is reasonably assured (deferred outflows).

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of an enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Commission reports the following fiduciary fund:

- The *Other Post-Employment Benefit Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.

Cash and Investments

Cash balances are invested to the extent available, and investment earnings are recognized in each fund.

For purposes of the Statement of Cash Flows, the Commission considers investments with original maturities of three months or less to be short-term investments. These are reflected in the following accounts reported on the Statement of Net Position: cash and short-term investments and restricted cash.

Investments consist of certificates of deposit, corporate bonds, federal agency securities, and U.S. Treasury notes, and are carried at fair value, except certificates of deposit, which are reported at cost. These are reflected in the following accounts reported on the Statement of Net Position: investments and restricted investments.

Inventory for Consumption

Gasoline, diesel fuel, and materials purchased and unused at year-end are stated at cost, and using the FIFO (first-in/first-out) basis.

Inventory Held by Others

Under the terms of a privatization agreement with Veolia Water, Inc. the Commission transferred custody of certain inventory to Veolia Water, Inc. The value stated was a negotiated value, which will be replaced by Veolia Water, Inc at the expiration of the privatization contract in October 2040.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are defined by the Commission as assets with an initial individual cost of more than \$5,000 (for land, vehicles, equipment, and furniture and fixtures), \$10,000 (for buildings and improvements) and \$20,000 (for infrastructure) and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------|--------------|
| Buildings and improvements | 20 - 50 |
| Water/sewer infrastructure | 50 - 100 |
| Vehicles | 5 - 15 |
| Furniture and fixtures | 5 - 10 |
| Office and computer equipment | 5 - 10 |

Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred. Sick pay benefits are payable upon death or retirement, with certain limits, for all employees employed over six months.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the June meeting of the Commission, the Commissioners review and approve an operating and capital budget for the proposed expenses of the fiscal year commencing the following July 1. The original budget may be amended during the fiscal year at Commission meetings as required by changing conditions.

At year-end, appropriation balances lapse, except for certain unexpended capital items, which will be honored during the subsequent year.

A budget and actual comparison of operating expenses is presented as other supplementary information.

3. Deposits and Investments

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitations on the nature of deposits and investments available to the Commission. Deposits, including demand deposits, money markets, and certificates of deposit in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposit having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MGL Chapter 44, Section 54 provides additional investment options for OPEB funds. Limited investments are subject to the Commission's General Bond Resolution.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Commission's deposits may not be returned. The Commission adopted a policy for custodial credit risk in fiscal year 2017. The Commission manages custodial credit risk by limiting deposits to those with minimal amounts of risk (U.S. Treasury notes and federal agency securities, fully insured certificates of deposit, and investments permitted by the Commission's General Bond Resolution).

As of June 30, 2023, none of the Commission's bank balance of \$101,045,990 was exposed to custodial credit risk as uninsured and/or uncollateralized.

The Commission votes annually to fund capital projects from current year revenue. Included in the Commission's cash balance is \$17,947,291 voted by the Commission in prior years that has been reserved for ongoing capital projects.

Investments

The following is a summary of the Commission's investments as of June 30, 2023:

| <u>Investment Type</u> | <u>Amount</u> |
|---------------------------|----------------------|
| Certificates of deposit | \$ 3,289,026 |
| Corporate bonds | 139,994 |
| Federal agency securities | 4,182,331 |
| U.S. Treasury notes | <u>16,427,612</u> |
| Total | <u>\$ 24,038,963</u> |

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Commission will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Commission adopted a policy for custodial credit risk in fiscal year 2017. The Commission manages custodial credit risk by limiting investments to those with minimal amounts of risk (U.S. Treasury notes and federal agency securities, fully insured certificates of deposit, and investments permitted by the Commission's General Bond Resolution).

As of June 30, 2023, the Commission did not have investments subject to custodial credit risk exposure as all assets were held in the Commission's name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. For short-term investments that were purchased using surplus revenues, Massachusetts General Laws, Chapter 44, Section 55, limit the Commission's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). In addition, the Commission's investments are limited by Section 515 of the General Bond Resolution.

As of June 30, 2023, the credit quality ratings, as rated by S&P Global Ratings of the Commission's debt securities were as follows (U.S. Treasury notes have an implied rating of AAA):

| <u>Investment Type</u> | <u>Amount</u> | <u>AAA</u> | <u>AA</u> |
|---------------------------|---------------------|---------------------|------------------|
| Corporate bonds | \$ 139,994 | \$ 13,063 | \$ 20,026 |
| Federal agency securities | <u>4,182,331</u> | <u>4,182,331</u> | <u>-</u> |
| Total | <u>\$ 4,322,325</u> | <u>\$ 4,195,394</u> | <u>\$ 20,026</u> |

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Commission's investment in a single issuer. The Commission places no limit on the amount invested in any one issuer.

As of June 30, 2023, the Commission did not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Commission does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Commission manages interest rate risk by managing the duration of investments.

Information about the sensitivity of the fair values of the Commission's investments to market interest rate fluctuations was as follows at June 30, 2023:

| <u>Investment Type</u> | <u>Amount</u> | <u>Investment Maturities (in Years)</u> | |
|---------------------------|----------------------|---|----------------------|
| | | <u>Less Than 1</u> | <u>1-5</u> |
| Certificates of deposit | \$ 3,289,026 | \$ 1,824,154 | \$ 1,464,872 |
| Corporate bonds | 139,994 | 83,778 | 56,216 |
| Federal agency securities | 4,182,331 | 2,871,337 | 1,310,994 |
| U.S. Treasury notes | <u>16,427,612</u> | <u>6,219,836</u> | <u>10,207,776</u> |
| Total | <u>\$ 24,038,963</u> | <u>\$ 10,999,105</u> | <u>\$ 13,039,858</u> |

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Commission does not have formal investment policies related to foreign currency risk.

At June 30, 2023, none of the Commission's investments were exposed to foreign currency risk.

Fair Value

The Commission categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Commission has the following fair value measurements as of June 30, 2023:

| <u>Investment Type</u> | <u>Amount</u> | <u>Fair Value Measurements Using:</u> | | |
|----------------------------------|----------------------|---|--|--|
| | | <u>Quoted prices in active markets for identical assets (Level 1)</u> | <u>Significant observable inputs (Level 2)</u> | <u>Significant unobservable inputs (Level 3)</u> |
| Investments by fair value level: | | | | |
| Corporate bonds | \$ 139,994 | \$ - | \$ 139,994 | \$ - |
| Federal agency securities | 4,182,331 | - | 4,182,331 | - |
| U.S. Treasury notes | <u>16,427,612</u> | <u>-</u> | <u>16,427,612</u> | <u>-</u> |
| Total | <u>\$ 20,749,937</u> | <u>\$ -</u> | <u>\$ 20,749,937</u> | <u>\$ -</u> |

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

4. Restricted Deposits and Investments

The Commission issues debt under a General Bond Resolution, which requires cash reserves to be maintained. These reserves are reported as either restricted cash or restricted investments.

The reserves include an Operating Reserve Fund (equal to 1/6 of the Commission's annual operating budget), a Renewal/Replacement Fund (\$1 million), a Debt Service Fund (equal to principal and interest, payable on an accrual basis at June 30), and a Debt Service Reserve Fund (equal to the highest principal and interest due in any subsequent year). In fiscal year 2017, the Commission also established a Stabilization Fund reserve to help protect the financial condition of the Commission. In addition, the Bond Resolution establishes several other reserves, which may be activated in future years.

The restricted deposits and investment balances reported in the financial statements are comprised of the following at June 30, 2023:

| | |
|----------------------------|----------------------|
| Stabilization Fund | \$ 17,669,189 |
| Reserve Funds | |
| Operating reserve fund | 10,503,608 |
| Renewal/replacement fund | 1,000,000 |
| Debt service fund | 10,104,126 |
| Debt service reserve fund | 24,894,579 |
| Other Funds | |
| Project accounts | 1,122,076 |
| Scholarship trust fund | <u>83,489</u> |
| Total | <u>\$ 65,377,067</u> |
| Restricted Balances | |
| Restricted cash | \$ 47,527,784 |
| Restricted investments | <u>17,849,283</u> |
| Total | <u>\$ 65,377,067</u> |

5. Investments – OPEB Trust Fund

Generally, the OPEB Trust Fund's investment policies mirror that of the Commission as discussed in Note 3.

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2023:

| <u>Investment Type</u> | <u>Amount</u> |
|---------------------------|---------------------|
| Corporate equities | \$ 418,243 |
| Equity mutual funds | 4,241,048 |
| Fixed income mutual funds | <u>1,777,934</u> |
| Total | <u>\$ 6,437,225</u> |

Custodial Credit Risk

As of June 30, 2023, none of the OPEB Trust Fund's total investments were subject to custodial credit risk exposure as all assets were held in the Commission's name.

Credit Risk – Investments in Debt Securities

As of June 30, 2023, the credit quality ratings, as rated by S&P Global Ratings, of the Commission's OPEB Trust Fund's debt securities were as follows:

| <u>Investment Type</u> | <u>Amount</u> | <u>Rating as of Year-End</u> | | | | | |
|---------------------------|---------------------|------------------------------|-------------------|-------------------|-------------------|------------------|---------------------|
| | | <u>AAA</u> | <u>AA/A</u> | <u>BBB</u> | <u>BB/B</u> | <u>Below B</u> | <u>Unrated</u> |
| Corporate equities | \$ 418,243 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 418,243 |
| Equity mutual funds | 4,241,048 | - | - | - | - | - | 4,241,048 |
| Fixed income mutual funds | <u>1,777,934</u> | <u>504,193</u> | <u>273,545</u> | <u>201,026</u> | <u>110,589</u> | <u>32,407</u> | <u>656,174</u> |
| Total | <u>\$ 6,437,225</u> | <u>\$ 504,193</u> | <u>\$ 273,545</u> | <u>\$ 201,026</u> | <u>\$ 110,589</u> | <u>\$ 32,407</u> | <u>\$ 5,315,465</u> |

Concentration of Credit Risk

As of June 30, 2023, the OPEB Trust Fund does not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk

Information about the sensitivity of the fair values of the OPEB Trust Fund's investments to market interest rate fluctuations was as follows at June 30, 2023:

| <u>Investment Type</u> | <u>Amount</u> | <u>Investment Maturities (in Years)</u> | | | |
|---------------------------|---------------------|---|-------------------|-------------------|-------------------|
| | | <u>Less Than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>Thereafter</u> |
| Fixed income mutual funds | \$ <u>1,777,934</u> | \$ <u>94,285</u> | \$ <u>432,887</u> | \$ <u>712,890</u> | \$ <u>537,872</u> |
| Total | \$ <u>1,777,934</u> | \$ <u>94,285</u> | \$ <u>432,887</u> | \$ <u>712,890</u> | \$ <u>537,872</u> |

Foreign Currency Risk

At June 30, 2023, none of the OPEB Trust Fund's investments were exposed to foreign currency risk.

Fair Value

The OPEB Trust Fund has the following fair value measurements as of June 30, 2023:

| <u>Investment Type</u> | <u>Amount</u> | <u>Fair Value Measurements Using:</u> | | |
|----------------------------------|---------------------|---|--|--|
| | | <u>Quoted prices in active markets for identical assets (Level 1)</u> | <u>Significant observable inputs (Level 2)</u> | <u>Significant unobservable inputs (Level 3)</u> |
| Investments by fair value level: | | | | |
| Corporate equities | \$ 418,243 | \$ 418,243 | \$ - | \$ - |
| Equity mutual funds | 4,241,048 | 4,241,048 | - | - |
| Fixed income mutual funds | <u>1,777,934</u> | <u>-</u> | <u>1,777,934</u> | <u>-</u> |
| Total | <u>\$ 6,437,225</u> | <u>\$ 4,659,291</u> | <u>\$ 1,777,934</u> | <u>\$ -</u> |

6. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2023:

| | |
|--|----------------------|
| Billed water, sewer, and wastewater regional | \$ 4,568,717 |
| Less: allowances | <u>(485,349)</u> |
| Total billed | 4,083,368 |
| Unbilled water (including power generation) and sewer | 7,353,805 |
| Adjustment to wastewater regional and sewer pump station for actual usage through June 30, 2023 | <u>195,893</u> |
| Total | <u>\$ 11,633,066</u> |

7. Intergovernmental Receivables

The balance in this account represents the following at June 30, 2023:

| | <u>Current</u> | <u>Non- Current</u> |
|---|---------------------|-------------------------|
| Massachusetts Clean Water Trust loan funds not yet requested (or expended on project costs) as of June 30, 2023. These funds are expected to be drawn down as project costs are incurred in fiscal year 2024. | \$ 6,205,690 | \$ - |
| Amount due from the Town of Wilbraham (the Town) under an agreement signed in June 2007, whereby the Town agrees to reimburse the Commission a portion of the costs/debt incurred to enable the Town to enter the sewage disposal system. Future amounts to be paid by the Town are anticipated to coincide with certain debt issued by the Commission, which mature in fiscal years 2026 through 2038. | <u>100,042</u> | <u>701,807</u> |
| Total | <u>\$ 6,305,732</u> | <u>\$ 701,807</u> |

8. Inventory for Consumption

The inventory balance at June 30, 2023, consisted of the following:

| | |
|---|---------------------|
| Fuel inventory (gasoline and diesel) | \$ 125,442 |
| Materials inventory (parts and supplies) | 1,929,776 |
| Less: adjustment for obsolete and slow moving materials inventory | <u>(448,162)</u> |
| Total | <u>\$ 1,607,056</u> |

9. Health Insurance Deposit

The Commission participates in the Hampshire County Group Insurance Trust (the Trust) to provide health insurance coverage to its employees. When the Commission joined the Trust, they were required to place on deposit the equivalent of 3 months (estimated) claims expense. This deposit reserve affords the Commission voting rights in the Trust and would only be used to fund the residual claims in the event the Commission withdraws from the Trust.

10. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows (in thousands):

| | Beginning Balance | Increases | Decreases | Convert CIP | Ending Balance |
|--|----------------------|------------------|-------------|----------------|-------------------|
| Capital Assets, Being Depreciated | | | | | |
| Furniture and fixtures | \$ 13,737 | \$ - | \$ - | \$ 394 | \$ 14,131 |
| Vehicles and equipment | 12,056 | - | - | 363 | 12,419 |
| Buildings and improvements | 9,683 | - | - | 241 | 9,924 |
| Infrastructure | <u>493,987</u> | <u>-</u> | <u>-</u> | <u>7,332</u> | <u>501,319</u> |
| Total Capital Assets, Being Depreciated | 529,463 | - | - | 8,330 | 537,793 |
| Less Accumulated Depreciation | | | | | |
| Furniture and fixtures | (9,966) | (744) | - | - | (10,710) |
| Vehicles and equipment | (11,173) | (415) | - | - | (11,588) |
| Buildings and improvements | (4,014) | (341) | - | - | (4,355) |
| Infrastructure | <u>(182,319)</u> | <u>(8,258)</u> | <u>-</u> | <u>-</u> | <u>(190,577)</u> |
| Total Accumulated Depreciation | <u>(207,472)</u> | <u>(9,758)</u> | <u>-</u> | <u>-</u> | <u>(217,230)</u> |
| Capital Assets, Being Depreciated, Net | 321,991 | (9,758) | - | 8,330 | 320,563 |
| Capital Assets, Not Being Depreciated | | | | | |
| Land | 6,189 | - | - | 96 | 6,285 |
| Construction in progress (CIP) | <u>127,476</u> | <u>89,113</u> | <u>-</u> | <u>(8,426)</u> | <u>208,163</u> |
| Total Capital Assets, Not Being Depreciated | <u>133,665</u> | <u>89,113</u> | <u>-</u> | <u>(8,330)</u> | <u>214,448</u> |
| Capital Assets, Net | <u>\$ 455,656</u> | <u>\$ 79,355</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 535,011</u> |

11. Deferred Outflows and Inflows of Resources

To accommodate the rate-making process, the Commission follows the accounting standards set forth in Financial Accounting Standards Codification Section 980 (FASC 980), *Accounting for the Effects of Certain Types of Regulation*. FASC 980 allows certain board approved (1) revenues provided for future allowable costs to be deferred until the costs are actually incurred (deferred credits) and (2) costs incurred to be capitalized if future recovery is reasonably assured (deferred charges).

Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Commission that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflows of resources balances as of June 30, 2023:

| | |
|---------------------------------------|-----------------------|
| Related to pension | \$ 6,520,421 |
| Related to OPEB | 2,191,913 |
| Other: | |
| Unamortized loss on refunding of debt | 798,656 |
| Deferred charges | <u>97,598,403</u> |
| Total Other | <u>98,397,059</u> |
| Total Deferred Outflows | <u>\$ 107,109,393</u> |

The balance in unamortized loss on refunding of debt represents the difference between the amount required to pay off the previously issued debt and the net carrying amount of old debt. This difference is amortized over the shorter of the original debt amortization period or the life of the new debt.

Deferred charges consist of accrued sick, vacation, and other compensated absences, accrued workers' compensation costs, net OPEB liability, and net pension liability. Other costs will be recovered through future rates or matched against credits related to the specific costs in the future.

Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the Commission that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflows of resources balances as of June 30, 2023:

| | |
|------------------------|-----------------------|
| Related to pension | \$ 1,096,220 |
| Related to OPEB | 5,979,844 |
| Other: | |
| Deferred credits | <u>195,643,757</u> |
| Total Deferred Inflows | <u>\$ 202,719,821</u> |

Deferred credits consist primarily of amounts raised through rates specifically earmarked for capital improvements and debt repayments which will be recognized in the Statement of Revenues, Expenses, and Changes in Net Position over the depreciable lives of the assets and related debt repayments.

Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

The application of FASC 980 results in certain revenues and expenses being removed from the Statement of Revenues, Expenses, and Changes in Net Position and reflected in the Statement of Net Position as deferred outflows or deferred inflows. The revenues and expenses that have been removed from the Statement of Revenues, Expenses, and Changes in Net Position and added to the Statement of Net Position appear in the line “Excess revenues used to fund deferrals” on the Statement of Revenues, Expenses, and Changes in Net Position. The detail of changes to and components of these amounts are as follows for fiscal year 2023:

| | <u>Beginning Balance</u> | <u>Increase (Decrease)</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------------------|---------------------------|
| Deferred Charges | | | |
| Net pension liability | \$ 66,715,732 | \$ 7,130,786 | \$ 73,846,518 |
| Net OPEB liability | 22,524,719 | (587,055) | 21,937,664 |
| Accrued compensated absences | 1,631,503 | (151,878) | 1,479,625 |
| Accrued workers' compensation | <u>174,543</u> | <u>160,053</u> | <u>334,596</u> |
| Total Deferred Charges | <u>\$ 91,046,497</u> | 6,551,906 | <u>\$ 97,598,403</u> |
| Deferred Credits | | | |
| Capital improvements, net of depreciation | \$ 47,960,215 | 5,082,057 | \$ 53,042,272 |
| Principal debt payments | 127,777,989 | 14,328,269 | 142,106,258 |
| Group insurance deposit | <u>495,227</u> | <u>-</u> | <u>495,227</u> |
| Total Deferred Credits | <u>\$ 176,233,431</u> | <u>19,410,326</u> | <u>\$ 195,643,757</u> |
| Excess Revenues Used to Fund Deferrals | | <u>\$ (12,858,420)</u> | |

12. Notes Payable

The Commission had the following notes outstanding at June 30, 2023:

| <u>Purpose</u> | <u>Maximum Note Amount</u> | <u>Interest Rate(s)%</u> | <u>Date of Issue</u> | <u>Date of Maturity *</u> | <u>Balance at June 30, 2023</u> |
|---|--------------------------------|------------------------------|--------------------------|-------------------------------|-------------------------------------|
| Massachusetts Clean Water Trust Interim note CW-18-18C | \$ 1,649,713 | 0.00% | 06/29/21 | 05/13/24 | \$ 213,956 |
| Massachusetts Clean Water Trust Interim note CW-21-11 | 33,692,134 | 0.00% | 07/21/22 | 06/01/25 | 14,217,264 |
| Massachusetts Clean Water Trust Interim note CW-21-39 | 27,620,000 | 0.00% | 10/25/22 | 08/18/25 | 2,829,719 |
| Massachusetts Clean Water Trust Interim note CW-21-39A | 2,625,375 | 0.00% | 10/25/22 | 08/18/25 | 396,785 |
| Massachusetts Clean Water Trust Interim note DW-21-03 | 11,573,681 | 0.00% | 01/05/23 | 10/27/25 | 3,804,501 |
| Total | <u>\$ 77,160,903</u> | | | | <u>\$ 21,462,225</u> |

* Maturity date is flexible and will be determined when the balance is converted to a long-term note.

The following summarizes activity in notes payable during fiscal year 2023:

| <u>Purpose</u> | <u>Restated Balance Beginning of Year*</u> | <u>Issuance of New Notes</u> | <u>Converted to Long-Term Debt</u> | <u>Balance End of Year</u> |
|--|--|--------------------------------------|--|------------------------------------|
| Massachusetts Clean Water Trust Interim notes | <u>\$ 40,115,925</u> | <u>\$ 49,562,504</u> | <u>\$ (68,216,204)</u> | <u>\$ 21,462,225</u> |

* Beginning balance was restated to include only loans requested/drawn, not the entire balance of loans authorized.

13. Long-Term Debt

Revenue Bonds and Loans from Direct Borrowings

The Commission issues revenue bonds and loans from direct borrowings. Under the terms of these bonds, all operating revenues of the Commission are deposited in a dedicated operating reserve account, from which prescribed reserves are established (Note 4). Loans from direct borrowings are excluded from some of these reserve requirements. In addition, all bond proceeds have been deposited in separate project accounts that are under the lender's control. These project accounts may be accessed only to fund project-related costs.

Revenue bonds and loans from direct borrowings outstanding at June 30, 2023, were as follows:

| | Serial Maturities <u>Through</u> | Interest Rate(s)% | Balance <u>June 30, 2023</u> |
|--------------------------------------|--|----------------------|---------------------------------|
| <u>Revenue Bonds</u> | | | |
| Revenue bonds - 2014C (refunding) | 07/15/26 | 3.0 - 5.0 | \$ 5,375,000 |
| Revenue bonds - 2017B (refunding) | 04/15/31 | 2.0 - 5.0 | 15,520,000 |
| Revenue bonds - 2014A | 07/15/34 | 3.0 - 5.0 | 17,860,000 |
| Revenue bonds - 2017C | 04/15/37 | 2.0 - 5.0 | 14,770,000 |
| Revenue bonds - 2019E | 04/15/39 | 4.0 | <u>17,570,000</u> |
| Total Revenue Bonds | | | 71,095,000 |
| <u>Loans - Direct Borrowings</u> | | | |
| Sewer CSO (MCWT CW-08-36) | 07/15/30 | 2.00 | 4,370,095 |
| Sewer CSO (MCWT CW-08-36-A) | 07/15/32 | 2.00 | 3,397,397 |
| Water (MCWT DW-10-06) | 07/15/32 | 2.00 | 949,869 |
| Water (MCWT DW-11-01) | 07/15/32 | 2.00 | 3,543,357 |
| Water (MCWT DW-11-22) | 01/15/33 | 2.00 | 868,410 |
| Sewer CSO (MCWT CW-12-03) | 01/15/35 | 2.00 | 12,792,648 |
| Water (MCWT DW-13-16) | 01/15/35 | 2.00 | 14,869,358 |
| Sewer CSO (MCWT CW-14-27) | 01/15/37 | 2.00 | 17,066,988 |
| Sewer CSO (MCWT CW-06-27) | 07/15/37 | 2.00 | 17,166,553 |
| Sewer CSO (MCWT CW-14-27) additional | 01/15/40 | 2.00 | 1,714,960 |
| Sewer CSO (MCWT CW-18-18) | 01/15/41 | 2.00 | 45,091,507 |
| Sewer CSO (MCWT CW-18-18A) | 01/15/41 | 2.00 | 4,823,057 |
| Sewer CSO (MCWT DW-20-01) | 01/15/43 | 2.00 | 12,030,000 |
| Sewer CSO (MCWT CW-18-18D) | 01/15/43 | 2.00 | 55,044,592 |
| Sewer CSO (MCWT CW-18-18E) | 01/15/43 | 2.00 | 6,341,902 |
| Water and Sewer (WIFIA) | 03/15/52 | 1.85 | <u>12,805,434</u> |
| Total Loans - Direct Borrowings | | | <u>212,876,127</u> |
| Total Long-Term Bonds and Loans | | | <u>\$ 283,971,127</u> |

Note: The Commission entered into a loan agreement in August 2021 with the Federal Environmental Protection Agency under the Water and Wastewater Infrastructure Renewal Program (WIFIA) for approximately \$249 million. The amount listed represents the amount of the WIFIA loan agreement received and drawn as of June 30, 2023. The WIFIA loan is structured for the Commission to request funds from WIFIA based on project expenses. Annual long-term debt associated with the WIFIA loan is based on the total amount of loan proceeds funds disbursed by WIFIA. WIFIA issues a revised amortization schedule after each disbursement, up to the full amount of the WIFIA loan.

Future Debt Service

The annual payments to retire all long-term debt outstanding as of June 30, 2023, are as follows:

| Year | Revenue Bonds | | Loans - Direct Borrowings | |
|-------------|----------------------|----------------------|---------------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 6,800,000 | \$ 3,067,225 | \$ 10,616,215 | \$ 4,411,139 |
| 2025 | 6,535,000 | 2,755,525 | 10,848,769 | 4,067,836 |
| 2026 | 6,665,000 | 2,440,800 | 11,086,416 | 3,846,210 |
| 2027 | 6,790,000 | 2,133,625 | 11,329,279 | 3,619,718 |
| 2028 | 5,600,000 | 1,860,950 | 11,582,592 | 3,388,256 |
| 2029 - 2033 | 23,005,000 | 5,938,538 | 60,624,430 | 13,310,073 |
| 2034 - 2038 | 14,250,000 | 1,645,488 | 53,687,274 | 7,294,039 |
| Thereafter | 1,450,000 | 58,000 | 43,101,152 | 3,467,293 |
| Total | <u>\$ 71,095,000</u> | <u>\$ 19,900,151</u> | <u>\$ 212,876,127</u> | <u>\$ 43,404,564</u> |

Changes in Long-Term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities (in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance | Less Current Portion | Equals Long-Term Portion |
|-------------------------------------|----------------------|------------------|--------------------|-------------------|----------------------------|--------------------------------|
| Bonds and loans payable: | | | | | | |
| Revenue bonds | \$ 77,720 | \$ - | \$ (6,625) | \$ 71,095 | \$ (6,800) | \$ 64,295 |
| Loans payable (direct borrowings) * | 134,357 | 86,222 | (7,703) | 212,876 | (10,616) | 202,260 |
| Unamortized premium | 9,510 | - | (892) | 8,618 | (890) | 7,728 |
| Subtotal - bond and loans payable | 221,587 | 86,222 | (15,220) | 292,589 | (18,306) | 274,283 |
| Accrued compensated absences | 1,631 | 314 | (466) | 1,479 | (41) | 1,438 |
| Net pension liability | 66,716 | 7,131 | - | 73,847 | - | 73,847 |
| Net OPEB liability | 22,525 | - | (587) | 21,938 | - | 21,938 |
| Accrued workers' compensation | 175 | 160 | - | 335 | - | 335 |
| Total | <u>\$ 312,634</u> | <u>\$ 93,827</u> | <u>\$ (16,273)</u> | <u>\$ 390,188</u> | <u>\$ (18,347)</u> | <u>\$ 371,841</u> |

* Loans payable (direct borrowings) beginning balance was restated to include only the amount requested/drawn not authorized.

Bond Covenants

The Commission’s General Bond Resolution contains various restrictive covenants including, among other things, restrictions on incurring both short-term and long-term debt in certain circumstances and restrictions on selling, mortgaging, leasing, or otherwise disposing of any part of the system. The Bond Resolution requires the Commission to establish water and sewer rates at least sufficient to pay current expenses, pay principal and interest of indebtedness, create and maintain reserves required by bond resolutions, and pay the cost of all necessary repairs, replacements, and renewals of the system. They also require certain accounts to be established and maintained (Note 4), the balances of which are restricted to various operating, debt service, capital expenditure, and renewal and replacement purposes. The Commission has pledged all cash accounts and revenues as collateral for the debt.

In addition, the Commission is required to comply with certain bond covenants, which require that “net revenues” as defined in the General Bond Resolution, for each fiscal year shall equal at least 125% of the Debt Service Requirement.

The Commission was in compliance with all financial bond covenants for the year ended June 30, 2023.

14. Restricted Net Position

The balance in restricted net position of \$67,717,316 represents the restricted cash balance for required reserves and scholarships of \$46,585,802, the balance in the Commission’s Stabilization Fund of \$17,669,189, and the total value of inventory of \$3,462,325.

15. Springfield Contributory Retirement System

The Commission follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to employees’ retirement funds.

Plan Description

Substantially all full-time employees of the Commission are members of Springfield Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The System provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports publicly available from the System located at 70 Tapley Street, Springfield, MA 01104.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee’s individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

| | |
|-------------------------------------|----|
| Before January 1, 1975 | 5% |
| January 1, 1975 - December 31, 1983 | 7% |
| January 1, 1984 - June 30, 1996 | 8% |
| Beginning July 1, 1996 | 9% |

For those members entering the System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member’s accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012, and the highest 5-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Group 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Commission employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member—provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Commission’s contribution to the System for the year ended June 30, 2023, was approximately \$7.5 million, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System’s fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2023, the Commission reported a liability of approximately \$73.8 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022, rolled forward to December 31, 2022. The Commission’s proportion of the net pension liability was based on a projection of the Commission’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Commission’s proportion was 8.04%, which was an increase of 0.13% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Commission recognized pension expense of approximately \$6.7 million. In addition, the Commission reported deferred outflows and inflows of resources related to pension from the following sources (in thousands):

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 511 | \$ (1,096) |
| Changes in assumptions | 1,845 | - |
| Net difference between projected and actual earnings on pension plan investments | 2,898 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | <u>1,266</u> | <u>-</u> |
| Total | <u>\$ 6,520</u> | <u>\$ (1,096)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as increases in pension expense as follows (in thousands):

Year ended June 30:

| | |
|-------|-----------------|
| 2024 | \$ 815 |
| 2025 | 1,168 |
| 2026 | 1,368 |
| 2027 | <u>2,073</u> |
| Total | <u>\$ 5,424</u> |

Actuarial Assumptions

The total pension liability in the latest actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--|
| Valuation date | January 1, 2022 |
| Actuarial cost method | Entry Age Normal Cost Method |
| Actuarial assumptions: | |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |
| Projected salary increases | 4.25 – 4.75% per year |
| Inflation rate | 2.50% |
| Post-retirement cost-of-living adjustment | 3% of the first \$13,000 of retirement income |
| Remaining amortization period | 10 years from July 1, 2023 |

Pre-retirement mortality rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct). For disabled retirees, the rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2020 (gender distinct).

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of the most recent actuarial experience study, which was for the period ending December 31, 2002.

Target Allocation

The long-term expected rate of return on pension plan investments was selected from the best estimate range determined using the building-block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the table on the following page.

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------------|---|
| Domestic equities | 21.20% | 7.10% |
| International equities | 12.20% | 6.90% |
| Emerging international equities | 4.70% | 9.60% |
| Hedged equities | 8.60% | 6.60% |
| Core fixed income | 13.80% | 4.13% |
| Value added fixed income | 7.00% | 7.80% |
| Private equity | 17.70% | 10.20% |
| Real estate | 11.20% | 5.70% |
| Timberland | 3.20% | 7.00% |
| Portfolio completion | <u>0.40%</u> | 6.50% |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

| | Current | |
|----------------|----------------|----------------|
| 1% | Discount | 1% |
| Decrease | Rate | Increase |
| <u>(6.00%)</u> | <u>(7.00%)</u> | <u>(8.00%)</u> |
| \$86,031 | \$73,847 | \$63,517 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

16. Other Post-Employment Benefits

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2016, the Commission established a single employer defined benefit OPEB Trust Fund to provide funding for future employee healthcare costs. OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2023.

General Information about the OPEB Plan

Plan Description

The Commission provides post-employment healthcare benefits for retired employees through the Commission’s plan. The Commission provides health insurance coverage through the Hampshire County Group Insurance Trust (HCGIT). The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

The Commission provides health, life, and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Commission and meet the eligibility criteria will receive these benefits.

Funding Policy

The Commission's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget authorizations.

Plan Membership

At June 30, 2023, the following employees were covered by the benefit terms:

| | |
|--------------------------------------|------------|
| Inactive employees or beneficiaries | |
| currently receiving benefit payments | 125 |
| Active employees | <u>216</u> |
| Total | <u>341</u> |

Investments

The OPEB Trust Fund assets consist of corporate equities, equity mutual funds, and fixed income mutual funds. The OPEB funds are managed in accordance with the "prudent person" rule, which allows a wider range of investment instruments in accordance with the principles of safety, liquidity, and yield. Additional information about the OPEB Trust Fund's investments can be found in the *Investments – OPEB Trust Fund* footnote.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expenses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Inflation | Not explicitly stated |
| Salary increases | 3.0%, average, including inflation |
| Investment rate of return | 5.65%, net of OPEB plan investment expense |
| Municipal bond rate | 4.00% |
| Discount rate | 4.29% |
| Healthcare cost trend rates | 6.75% for 2023, fluctuating 0.25% to an ultimate rate of 4.5% as of July 1, 2031 and later years |
| Retirees' share of benefit-related costs | 25% |
| Participation rate | 100% of eligible active employees |

Mortality rates were based on Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projection with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2021.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the table on the following page.

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------------|---|
| Equity | 70.00% | 7.00% |
| Fixed income | <u>30.00%</u> | 2.50% |
| Total | <u>100.00%</u> | |

Contributions

In addition to the implicit subsidy contribution, the Commission’s policy is to contribute amounts provided annually by the budget.

Discount Rate

The discount rate used to measure the net OPEB liability was 4.29%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 5.65% through fiscal year 2029 and municipal bond rate of 4.00% thereafter (based on the average of indexes as of June 30, 2023, provided by S&P Municipal Bond 20-Year High Grade Rate Index – 4.13% and Fidelity GO AA 20 Years – 3.86%).

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2023, were as follows (in thousands):

| | |
|---|------------------|
| Total OPEB liability | \$ 28,408 |
| Plan fiduciary net position | <u>(6,470)</u> |
| Net OPEB Liability | <u>\$ 21,938</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 22.78% |

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year (in thousands):

| | Increase (Decrease) | | |
|---|--------------------------------|--|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances, Beginning of Year | \$ 27,795 | \$ 5,270 | \$ 22,525 |
| Changes for the year: | | | |
| Service cost | 1,172 | - | 1,172 |
| Interest | 1,180 | - | 1,180 |
| Contributions - employer | - | 1,346 | (1,346) |
| Net investment income | - | 309 | (309) |
| Differences between expected and actual experience | - | 141 | (141) |
| Changes in assumptions | (1,143) | - | (1,143) |
| Benefit payments | <u>(596)</u> | <u>(596)</u> | <u>-</u> |
| Net Changes | <u>613</u> | <u>1,200</u> | <u>(587)</u> |
| Balances, End of Year | <u>\$ 28,408</u> | <u>\$ 6,470</u> | <u>\$ 21,938</u> |

Changes in assumptions reflect a change in the discount rate from 4.06% in 2022 to 4.29% in 2023.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (in thousands):

| 1% Decrease | Current Discount Rate | 1% Increase |
|----------------|--------------------------|----------------|
| <u>(3.29%)</u> | <u>(4.29%)</u> | <u>(5.29%)</u> |
| \$27,297 | \$21,938 | \$17,307 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates (in thousands):

| | Current Healthcare Cost Trend | |
|----------------|-------------------------------------|----------------|
| 1% Decrease | 1% Increase | |
| <u>(5.75%)</u> | <u>(6.75%)</u> | <u>(7.75%)</u> |
| \$16,591 | \$21,938 | \$28,502 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Commission recognized an OPEB expense of approximately \$1.7 million. At June 30, 2023, the Commission reported deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|--|---|--|
| Net difference between projected and actual earnings on OPEB investments | \$ 327 | \$ - |
| Change in assumptions | <u>1,865</u> | <u>(5,980)</u> |
| Total | <u>\$ 2,192</u> | <u>\$ (5,980)</u> |

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as increases (decreases) in OPEB expense as follows (in thousands):

| <u>Year ended June 30:</u> | |
|----------------------------|-------------------|
| 2024 | \$ (384) |
| 2025 | (410) |
| 2026 | (467) |
| 2027 | (904) |
| 2028 | (989) |
| Thereafter | <u>(634)</u> |
| Total | <u>\$ (3,788)</u> |

17. Commitments and Contingencies

Outstanding Legal Issues

On an ongoing basis, there are typically pending issues in which the Commission is involved. The Commission's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

Sewer Overflow

The Springfield Water and Sewer Commission (the Commission) owns and operates both water and wastewater systems. The water system is identified as Massachusetts Public Water System (PWS) ID #1281000 and is governed by both Massachusetts and Federal Safe Drinking Water Act regulations. The wastewater system is primarily governed by Massachusetts and the federal regulations associated with the Clean Water Act through NPDES Permit #MA0101613.

The Commission has experienced a variety of regulatory non-compliance related to the operation of both the water and wastewater facilities. All known non-compliance issues are being directly addressed through ongoing infrastructure investments and improvements as identified in the Commission's fiscal year 2020-24 and in subsequent fiscal year capital projects of the Commission. These capital improvements are funded with proceeds of the 2021 WIFIA program, MA Clean Water Trust financing, and General Revenue Bonds of the Commission.

The Commission remains in contact with regulatory agencies and continues to provide updates, responses to requests, and to satisfy all requirements and submittal deadlines in a timely manner.

Workers' Compensation Liability

The financial statements include an estimate of future benefit costs/settlements for employees currently receiving workers' compensation benefits.

Self-Insurance

The Commission participates in the Hampshire County Group Insurance Trust (the Trust) to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. As of June 30, 2023, the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$300,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2023, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$5.0 million, the Trust was in a surplus position of approximately \$22.8 million.

18. Transactions with City of Springfield

Other than the retirement system contribution previously noted, the Commission's fiscal year 2023 transactions with the City consist primarily of payments for Police Department services of approximately \$294,000 and approximately \$376,000 for retiree health insurance costs.

19. Wastewater Regional Operations Management

On October 1, 2020, the Commission entered into an agreement with SUEZ Water Environmental Services, Inc. (SUEZ Water) to operate the Commission's wastewater regional operations. Veolia Water USA, Inc. merged its operations with Suez Water, Inc., which is the entity owning Suez Water Environmental Services Inc. ("Suez"). Following the merger, the name of Suez Water Inc, was amended to Veolia Water USA, Inc. In addition, the name of Suez was amended to Veolia Water Contract Operations, Inc. (Veolia). As of March 2022, the Service Agreement is between the Commission and Veolia. This agreement is in effect for 20 years and contains a 5-year renewal option. The pertinent conditions of the agreement are as follows:

- All assets remain the property of the Commission.
- Equipment/inventory used over the 20-year term is to be replaced/reimbursed by Veolia.
- The Commission continues to control the customer billing process.
- The Commission agreed to incur a maximum of \$10.3 million for the initial capital improvements to the facility. These improvements became the property of the Commission upon acceptance of the work performed.
- Veolia bills the Commission monthly for the cost of providing service and an administrative fee. The monthly cost as of June 2023 was approximately \$1.3 million.
- Under the contract, Veolia must provide a guaranteed letter of credit to the Commission as security for operating performance and capital asset management. The letter of credit is adjusted annually. At June 30, 2023, the letter of credit was \$4,272,567.

SPRINGFIELD WATER AND SEWER COMMISSION

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

(Amounts expressed in thousands)

Springfield Contributory Retirement System

| <u>Fiscal Year</u> | <u>Measurement Date</u> | <u>Proportion of the Net Pension Liability</u> | <u>Proportionate Share of the Net Pension Liability</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u> |
|--------------------|-------------------------|--|---|------------------------|--|--|
| June 30, 2023 | December 31, 2022 | 8.04% | \$73,847 | \$14,212 | 519.61% | 35.67% |
| June 30, 2022 | December 31, 2021 | 7.91% | \$66,716 | \$13,987 | 476.99% | 39.53% |
| June 30, 2021 | December 31, 2020 | 7.69% | \$69,512 | \$13,202 | 526.53% | 33.26% |
| June 30, 2020 | December 31, 2019 | 7.67% | \$70,653 | \$13,178 | 536.14% | 30.23% |
| June 30, 2019 | December 31, 2018 | 8.10% | \$73,244 | \$12,483 | 586.75% | 27.20% |
| June 30, 2018 | December 31, 2017 | 8.00% | \$69,365 | \$12,357 | 561.34% | 28.36% |
| June 30, 2017 | December 31, 2016 | 8.24% | \$70,365 | \$12,530 | 561.57% | 25.92% |
| June 30, 2016 | December 31, 2015 | 8.69% | \$72,326 | \$13,215 | 547.30% | 25.70% |
| June 30, 2015 | December 31, 2014 | 8.67% | \$63,437 | \$12,460 | 509.13% | 28.83% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

SPRINGFIELD WATER AND SEWER COMMISSION

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

(Amounts expressed in thousands)

Springfield Contributory Retirement System

| Fiscal <u>Year</u> | Measurement <u>Date</u> | Contributions in Relation to the | | | Covered <u>Payroll</u> | Contributions as a Percentage of <u>Covered Payroll</u> |
|-----------------------|----------------------------|--|--|---|---------------------------|---|
| | | Actuarially Determined <u>Contribution</u> | Actuarially Determined <u>Contribution</u> | Contribution Deficiency <u>(Excess)</u> | | |
| June 30, 2023 | December 31, 2022 | \$7,451 | \$7,451 | \$ - | \$16,096 | 46.29% |
| June 30, 2022 | December 31, 2021 | \$6,709 | \$6,709 | \$ - | \$14,952 | 44.87% |
| June 30, 2021 | December 31, 2020 | \$5,977 | \$5,977 | \$ - | \$12,874 | 46.43% |
| June 30, 2020 | December 31, 2019 | \$5,477 | \$5,477 | \$ - | \$13,358 | 41.00% |
| June 30, 2019 | December 31, 2018 | \$5,311 | \$5,311 | \$ - | \$12,839 | 41.37% |
| June 30, 2018 | December 31, 2017 | \$4,612 | \$4,612 | \$ - | \$12,451 | 37.04% |
| June 30, 2017 | December 31, 2016 | \$4,165 | \$4,165 | \$ - | \$12,351 | 33.72% |
| June 30, 2016 | December 31, 2015 | \$4,143 | \$4,143 | \$ - | \$12,606 | 32.87% |
| June 30, 2015 | December 31, 2014 | \$3,902 | \$3,902 | \$ - | \$12,512 | 31.19% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

SPRINGFIELD WATER AND SEWER COMMISSION

Required Supplementary Information
Schedule of Changes in the Net OPEB Liability

(Unaudited)

(Amounts expressed in thousands)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total OPEB Liability | | | | | | | |
| Service cost | \$ 1,172 | \$ 1,211 | \$ 1,487 | \$ 1,358 | \$ 809 | \$ 754 | \$ 1,513 |
| Interest | 1,180 | 1,315 | 783 | 786 | 803 | 912 | 888 |
| Differences between expected and actual experience | - | - | - | - | - | (3,365) | - |
| Changes in assumptions | (1,143) | (6,820) | 1,254 | 400 | 2,797 | 1,778 | (3,592) |
| Benefit payments, including refunds of member contributions | <u>(596)</u> | <u>(599)</u> | <u>(556)</u> | <u>(603)</u> | <u>(472)</u> | <u>(451)</u> | <u>(452)</u> |
| Net Change in Total OPEB Liability | 613 | (4,893) | 2,968 | 1,941 | 3,937 | (372) | (1,643) |
| Total OPEB Liability - Beginning | <u>27,795</u> | <u>32,688</u> | <u>29,720</u> | <u>27,779</u> | <u>23,842</u> | <u>24,214</u> | <u>25,857</u> |
| Total OPEB Liability - Ending (a) | <u>\$ 28,408</u> | <u>\$ 27,795</u> | <u>\$ 32,688</u> | <u>\$ 29,720</u> | <u>\$ 27,779</u> | <u>\$ 23,842</u> | <u>\$ 24,214</u> |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - employer | \$ 1,346 | \$ 1,249 | \$ 1,306 | \$ 1,103 | \$ 1,672 | \$ 1,451 | \$ 717 |
| Net investment income | 309 | 313 | 253 | 226 | 141 | 52 | 44 |
| Differences between expected and actual experience | 141 | (1,146) | 686 | (133) | 22 | - | - |
| Benefit payments, including refunds of member contributions | <u>(596)</u> | <u>(599)</u> | <u>(556)</u> | <u>(603)</u> | <u>(472)</u> | <u>(451)</u> | <u>(452)</u> |
| Net Change in Plan Fiduciary Net Position | 1,200 | (183) | 1,689 | 593 | 1,363 | 1,052 | 309 |
| Plan Fiduciary Net Position - Beginning | <u>5,270</u> | <u>5,453</u> | <u>3,764</u> | <u>3,171</u> | <u>1,808</u> | <u>756</u> | <u>447</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 6,470</u> | <u>\$ 5,270</u> | <u>\$ 5,453</u> | <u>\$ 3,764</u> | <u>\$ 3,171</u> | <u>\$ 1,808</u> | <u>\$ 756</u> |
| Net OPEB Liability - Ending (a-b) | <u>\$ 21,938</u> | <u>\$ 22,525</u> | <u>\$ 27,235</u> | <u>\$ 25,956</u> | <u>\$ 24,608</u> | <u>\$ 22,034</u> | <u>\$ 23,458</u> |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

SPRINGFIELD WATER AND SEWER COMMISSION

Required Supplementary Information
Schedules of the Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

(Amounts expressed in thousands)

| Schedule of the Net OPEB Liability | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total OPEB liability | \$ 28,408 | \$ 27,795 | \$ 32,688 | \$ 29,720 | \$ 27,779 | \$ 23,842 | \$ 24,214 |
| Plan fiduciary net position | <u>(6,470)</u> | <u>(5,270)</u> | <u>(5,453)</u> | <u>(3,764)</u> | <u>(3,171)</u> | <u>(1,808)</u> | <u>(756)</u> |
| Net OPEB Liability | <u>\$ 21,938</u> | <u>\$ 22,525</u> | <u>\$ 27,235</u> | <u>\$ 25,956</u> | <u>\$ 24,608</u> | <u>\$ 22,034</u> | <u>\$ 23,458</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 22.78% | 18.96% | 16.68% | 12.66% | 11.42% | 7.58% | 3.12% |
| Covered payroll | \$ 14,000 | \$ 13,616 | \$ 13,380 | \$ 13,200 | \$ 12,458 | \$ 12,433 | \$ 12,097 |
| Net OPEB liability as a percentage of covered employee payroll | 156.70% | 165.43% | 203.55% | 196.64% | 197.53% | 177.22% | 193.92% |
| Schedule of Contributions | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| Actuarially determined contribution | \$ 2,416 | \$ 2,416 | \$ 2,754 | \$ 2,611 | \$ 1,986 | \$ 1,992 | \$ 1,732 |
| Contributions in relation to the actuarially determined contribution | <u>(1,346)</u> | <u>(1,249)</u> | <u>(1,306)</u> | <u>(1,103)</u> | <u>(1,672)</u> | <u>(1,451)</u> | <u>(717)</u> |
| Contribution Deficiency | <u>\$ 1,070</u> | <u>\$ 1,167</u> | <u>\$ 1,448</u> | <u>\$ 1,508</u> | <u>\$ 314</u> | <u>\$ 541</u> | <u>\$ 1,015</u> |
| Covered payroll | \$ 14,000 | \$ 13,616 | \$ 13,380 | \$ 13,200 | \$ 12,458 | \$ 12,433 | \$ 12,097 |
| Contributions as a percentage of covered employee payroll | 9.61% | 9.17% | 9.76% | 8.36% | 13.42% | 11.67% | 5.93% |
| Schedule of Investment Returns | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| Annual money weighted rate of return, net of investment expense | Unavailable | Unavailable | 13.35% | Unavailable | Unavailable | Unavailable | Unavailable |

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

SPRINGFIELD WATER AND SEWER COMMISSION

Other Supplementary Information
 Schedule of Operating Expenses - Budget and Actual
 For the Year Ended June 30, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|--------------------|----------------------------|-------------------------|----------------------|---|
| Expenses | | | | |
| Salaries and wages | \$ 17,123,382 | \$ 16,627,382 | \$ 16,095,491 | \$ 531,891 |
| Employee benefits | 11,665,589 | 11,915,589 | 11,775,461 | 140,128 |
| Operations | 31,563,061 | 31,719,061 | 30,966,424 | 752,637 |
| Intergovernmental | 690,304 | 690,304 | 564,401 | 125,903 |
| Capital outlay | 436,140 | 436,140 | 335,037 | 101,103 |
| Other | 783,376 | 873,376 | 840,635 | 32,741 |
| Debt principal | 14,328,270 | 14,328,270 | 14,328,270 | - |
| Debt interest | <u>7,627,677</u> | <u>7,627,677</u> | <u>6,662,037</u> | <u>965,640</u> |
| Total | \$ <u>84,217,799</u> | \$ <u>84,217,799</u> | \$ <u>81,567,756</u> | \$ <u>2,650,043</u> |

See Independent Auditors' Report and Notes to Other Supplementary Information.

Notes to Other Supplementary Information

Schedule of Operating Expenses – Budget and Actual

Budgetary Basis

The appropriation appearing on the previous page represents the operating budget of the Commission that was originally authorized in June 2022.

Budget/GAAP Reconciliation

The budgetary data is based upon accounting principles that differ from GAAP. Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual expenses to conform to the budgetary basis of accounting.

| | |
|---|----------------------|
| Operating expenses (GAAP basis) | \$ 70,583,294 |
| Non-operating expenses (GAAP basis) | 6,477,426 |
| Reverse capital expenses appropriated in a prior fiscal year | (444,832) |
| Remove depreciation and amortization expense not budgeted for | (9,758,383) |
| Add long-term debt payments budgeted for | 14,328,270 |
| Reverse the effect of prior year and current year GAAP accruals of: | |
| Accounts payable and accrued payroll | (160,443) |
| Interest on long-term debt | (705,494) |
| Amortization of bond premium | 890,105 |
| Inventory adjustment | (110,891) |
| Accrued compensated absences | 151,878 |
| Net pension liability, net of deferrals | 786,465 |
| Net OPEB liability, net of deferrals | (309,586) |
| Accrued workers compensation | <u>(160,053)</u> |
| Budgetary Basis | <u>\$ 81,567,756</u> |

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STATISTICAL SECTION

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This part of the Commission’s Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commission’s overall financial health.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the Commission’s financial performance and well-being have changed over time. These schedules are found on pages 78 and 79.

- Net Position by Component – Last Ten Fiscal Years
- Changes in Net Position – Last Ten Fiscal Years

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Commission’s ability to generate revenue. These schedules are found on pages 80 through 84.

- Largest Users – Last Ten Fiscal Years
- Water: Supplied Billed and Accounted For. Sewer: Treated and Billed – Last Ten Fiscal Years
- Billings and Collections – Last Ten Fiscal Years
- Water and Sewer Rates Structure – Last Ten Fiscal Years

Debt Capacity

These schedules present information to help the reader assess the affordability of the Commission’s current levels of outstanding debt and the Commission’s ability to issue additional debt in the future. These schedules are found on pages 85 and 86.

- Commission Per Capita Debt – Last Ten Fiscal Years
- Debt Coverage – Last Ten Fiscal Years

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission’s financial activities take place. These schedules are found on pages 87 through 90.

- Population, Income, and Employment – Last Ten Calendar Years
- Demographic and Economic Statistics – 2022 Calendar Year-End Summary
- Distribution of Customers by Account Type – Last Ten Fiscal Years
- Largest Private Employers – Current Year and Nine Years Prior

Operating and Capital Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Commission’s financial statements relates to the services the Commission provides and the activities it performs. These schedules are found on pages 91 through 95.

- Divisional Breakdown of SWSC Funded (Budgeted) Positions – Last Ten Budget Years
- Water and Sewer Distribution System – Year-End 2023
- Insurance Coverage – 2023 – 2024
- Water and Sewer Sales – Last Ten Fiscal Years
- Capital Spending by Category – Last Ten Fiscal Years

Table 1
Net Position by Component
Last Ten Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net investment in capital assets | \$ 228,994,258 | \$ 201,071,124 | \$ 181,781,706 | \$ 159,325,678 | \$ 152,176,660 | \$ 135,716,523 | \$ 140,096,489 | \$ 124,851,184 | \$ 113,624,261 | \$ 124,060,618 |
| Restricted | 67,717,316 | 62,790,797 | 62,948,144 | 59,930,406 | 50,334,806 | 58,368,491 | 46,627,990 | 37,694,132 | 36,368,236 | 31,651,795 |
| Unrestricted | <u>(140,124,479)</u> | <u>(124,568,275)</u> | <u>(101,372,436)</u> | <u>(88,297,650)</u> | <u>(66,299,071)</u> | <u>(69,189,511)</u> | <u>(62,830,249)</u> | <u>(36,200,649)</u> | <u>(29,816,125)</u> | <u>(42,378,183)</u> |
| Total Net Position | <u>\$ 156,587,095</u> | <u>\$ 139,293,646</u> | <u>\$ 143,357,414</u> | <u>\$ 130,958,434</u> | <u>\$ 136,212,395</u> | <u>\$ 124,895,503</u> | <u>\$ 123,894,230</u> | <u>\$ 126,344,667</u> | <u>\$ 120,176,372</u> | <u>\$ 113,334,230</u> |

Source: Audited Financial Statements

Table 2
Changes in Net Position
Last Ten Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|-----------------------|----------------------|-----------------------|----------------------|---------------------|-----------------------|---------------------|---------------------|-----------------------|
| Operating Revenues | | | | | | | | | | |
| Water and sewer usage | \$ 97,763,074 | \$ 90,228,684 | \$ 90,076,439 | \$ 80,720,589 | \$ 78,569,778 | \$ 76,365,206 | \$ 70,958,566 | \$ 68,826,361 | \$ 67,168,792 | \$ 63,889,847 |
| Other | 2,221,834 | 1,655,823 | 470,735 | 343,197 | 452,917 | 283,345 | 122,107 | 220,121 | 252,568 | 442,440 |
| Total Operating Revenues | 99,984,908 | 91,884,507 | 90,547,174 | 81,063,786 | 79,022,695 | 76,648,551 | 71,080,673 | 69,046,482 | 67,421,360 | 64,332,287 |
| Operating Expenses | | | | | | | | | | |
| Salaries and wages | 16,021,843 | 15,013,330 | 13,793,770 | 14,552,351 | 13,592,558 | 13,415,407 | 13,196,653 | 13,210,801 | 12,845,594 | 12,897,208 |
| Employee benefits | 11,458,635 | 9,182,040 | 10,632,203 | 11,136,631 | 11,384,289 | 9,119,516 | 11,035,903 | 11,138,171 | 9,877,386 | 7,708,445 |
| Operations | 31,048,637 | 26,865,756 | 26,238,699 | 24,768,918 | 23,229,294 | 23,625,366 | 22,467,683 | 23,210,770 | 22,166,166 | 21,677,024 |
| Intergovernmental | 564,401 | 622,920 | 626,879 | 642,225 | 573,277 | 586,514 | 572,476 | 557,125 | 540,163 | 519,315 |
| Capital outlay | 779,869 | 1,979,035 | 2,066,377 | 2,095,482 | 1,945,358 | 1,213,715 | 1,209,614 | 1,285,389 | 991,480 | 1,384,494 |
| Other | 951,526 | 882,672 | 561,908 | 651,906 | 567,964 | 500,063 | 683,593 | 379,835 | 521,140 | 561,054 |
| Total Operating Expenses | 60,824,911 | 54,545,753 | 53,919,836 | 53,847,513 | 51,292,740 | 48,460,581 | 49,165,922 | 49,782,091 | 46,941,929 | 44,747,540 |
| Depreciation and amortization | 9,758,383 | 9,931,582 | 9,872,396 | 9,796,272 | 9,950,198 | 9,494,640 | 9,040,841 | 8,623,900 | 7,951,427 | 7,142,654 |
| Operating Income | 29,401,614 | 27,407,172 | 26,754,942 | 17,420,001 | 17,779,757 | 18,693,330 | 12,873,910 | 10,640,491 | 12,528,004 | 12,442,093 |
| Nonoperating Revenues (Expenses) | | | | | | | | | | |
| Interest income (loss) | 3,483,569 | (1,105,289) | 144,676 | 2,155,814 | 2,245,158 | 768,883 | 233,262 | 15,564 | 15,027 | 13,709 |
| Interest expense | (6,477,426) | (5,959,800) | (5,575,113) | (5,310,745) | (5,282,890) | (5,455,009) | (4,678,636) | (5,035,560) | (4,738,350) | (4,331,542) |
| Other | - | - | - | - | - | - | - | 83,797 | 81,045 | 661,249 |
| Total Nonoperating Revenues (Expenses), Net | (2,993,857) | (7,065,089) | (5,430,437) | (3,154,931) | (3,037,732) | (4,686,126) | (4,445,374) | (4,936,199) | (4,642,278) | (3,656,584) |
| Capital grants and contributions | 3,744,112 | 1,739,905 | 6,447,059 | 896,618 | 525,858 | 808,112 | 156,154 | 792,512 | 1,643,475 | - |
| Excess revenues before transfer requirement | 30,151,869 | 22,081,988 | 27,771,564 | 15,161,688 | 15,267,883 | 14,815,316 | 8,584,690 | 6,496,804 | 9,529,201 | 8,785,509 |
| Excess revenues used to fund deferrals | (12,858,420) | (26,145,756) | (15,372,584) | (20,415,649) | (3,950,991) | (13,814,043) | (11,035,127) | (328,509) | (2,687,059) | (13,185,039) |
| Change in Net Position | \$ <u>17,293,449</u> | \$ <u>(4,063,768)</u> | \$ <u>12,398,980</u> | \$ <u>(5,253,961)</u> | \$ <u>11,316,892</u> | \$ <u>1,001,273</u> | \$ <u>(2,450,437)</u> | \$ <u>6,168,295</u> | \$ <u>6,842,142</u> | \$ <u>(4,399,530)</u> |

Source: Audited Financial Statements

**Table 3
Largest Users
Last Ten Fiscal Years**

| Top 25 Customers | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Solutia, Inc. | \$ 9,306,554 | \$ 8,844,691 | \$ 7,973,048 | \$ 7,487,202 | \$ 7,766,295 | \$ 7,768,760 | \$ 7,550,467 | \$ 7,367,101 | \$ 7,368,394 | \$ 7,957,100 |
| Town of Agawam | 3,701,214 | 3,228,431 | 4,130,774 | 3,458,927 | 2,831,206 | 3,319,151 | 3,009,713 | 3,007,522 | 2,952,071 | 2,944,831 |
| Town of West Springfield | 2,543,423 | 2,527,701 | 2,140,579 | 1,928,184 | 2,118,275 | 1,643,124 | 1,558,939 | 1,477,728 | 1,809,349 | 1,610,031 |
| Town of Longmeadow | 2,022,591 | 1,738,773 | 2,303,274 | 1,874,712 | 1,534,103 | 1,745,160 | 1,620,606 | 1,324,505 | 1,306,863 | 1,362,849 |
| Springfield Housing Authority | 1,574,642 | 1,498,041 | 1,581,612 | 1,723,006 | 1,450,758 | 1,358,085 | 1,476,234 | 1,660,106 | 1,324,351 | 1,165,478 |
| Bay State Medical Center | 1,417,929 | 1,362,841 | 1,233,726 | 1,070,792 | 1,041,969 | 1,016,664 | 989,015 | 873,883 | 901,132 | 780,102 |
| Town of East Longmeadow | 1,405,823 | 1,828,979 | 2,288,407 | 1,951,442 | 1,566,007 | 1,634,575 | 1,575,946 | 1,246,046 | 1,200,725 | 1,251,602 |
| Town of Ludlow DPW | 1,276,187 | 1,200,483 | 1,132,502 | 1,126,200 | 1,049,457 | 812,133 | 806,227 | 902,631 | 824,146 | 694,297 |
| East Springfield Realty LLC | 770,067 | 595,675 | 322,674 | 475,972 | 609,749 | 389,201 | - | - | - | - |
| City of Springfield/Schools | 762,989 | 861,825 | 768,528 | 650,408 | 589,371 | 375,004 | 445,895 | 468,008 | 388,135 | 356,808 |
| Springfield Gardens | 757,711 | 1,110,468 | 936,864 | - | - | - | - | - | - | - |
| Catholic Health East-APSS | 668,596 | 673,212 | 683,912 | 538,649 | 510,741 | 584,889 | 450,068 | 458,863 | 437,435 | 510,245 |
| Springfield College | 635,329 | 580,117 | 483,619 | 486,058 | 459,934 | 397,675 | 448,211 | 495,982 | 442,041 | 432,570 |
| Western New England University | 616,460 | 609,731 | 613,821 | 541,692 | 461,747 | 482,811 | 512,172 | 491,598 | 509,482 | 395,069 |
| Smith & Wesson | 584,813 | 643,599 | 614,281 | 499,274 | 601,044 | 536,624 | 584,161 | 492,162 | 441,301 | 344,034 |
| Colonial Estates | 496,541 | 438,323 | 355,178 | 299,260 | 259,231 | 225,850 | 220,564 | - | - | - |
| Pynchon I Apartments, Ltd | 481,470 | 420,958 | 406,080 | 375,253 | 562,059 | 291,895 | 235,502 | 250,244 | 243,464 | 227,474 |
| MGM Resorts International (formally Blue Tarp/Davenport Comp.) | 411,609 | 307,665 | - | 346,134 | 416,063 | - | - | - | - | - |
| Carando/Smithfield Foods | 406,551 | 414,927 | 364,664 | 325,197 | 336,976 | 299,477 | 321,213 | 292,089 | 252,159 | 216,350 |
| Allen Park 1 & 2 | 389,767 | 313,896 | 254,815 | 239,101 | - | 178,633 | 185,138 | 191,870 | 206,815 | 177,904 |
| Mass Power | 389,514 | - | 250,655 | - | - | - | - | 259,600 | 199,286 | - |
| Edgewater Apartments | 385,892 | 365,026 | - | - | - | - | - | - | - | - |
| Spring Meadow Apartments | 356,221 | 311,498 | 283,925 | 231,981 | - | - | 173,163 | 221,225 | 172,518 | 176,398 |
| Friendly Ice Cream Corp | 345,577 | 383,025 | 350,766 | 279,804 | 398,816 | 412,348 | 353,305 | 230,315 | 238,405 | 213,031 |
| Park Tenants Assoc., Inc. | 308,914 | 269,202 | - | 239,287 | 220,785 | 214,785 | - | - | 183,227 | - |
| American International College | - | 275,891 | 228,983 | - | - | - | - | - | - | - |
| Unifirst Corporation | - | - | - | 255,793 | 258,509 | 216,016 | 260,479 | 265,276 | 202,413 | 183,622 |
| Town of Wilbraham | - | 340,744 | 236,442 | 354,179 | 291,974 | 235,049 | 178,341 | 300,733 | 191,960 | 286,722 |
| Bergen Circle Apartments | - | - | 425,891 | - | - | - | - | - | - | - |
| Rayes (frmly Related Springfield Assoc.) | - | - | - | 221,196 | 281,948 | 247,736 | 438,962 | 421,723 | 338,939 | 292,262 |
| Springfield Technical Comm College | - | - | - | - | 205,833 | - | - | 183,651 | - | - |
| Related Springfield Associates LP | - | - | - | - | 185,506 | - | - | - | - | - |
| Pynchon II Apartments, Ltd. | - | - | - | - | - | 256,756 | 230,128 | 198,254 | 205,079 | 183,432 |
| Armory Commons | - | - | - | - | - | 176,052 | 188,622 | 206,610 | 182,313 | - |
| Spfld 164/Belmont LLC (frmly Cardaropoli, Attilio) | - | - | - | - | - | - | 227,042 | - | - | 203,646 |
| Taylor Consulting & Contracting | - | - | - | - | - | - | - | - | - | 329,687 |
| Styrolution America, LLC | - | - | - | - | - | - | - | - | - | 186,233 |
| Total | \$ 32,016,384 | \$ 31,145,722 | \$ 30,365,020 | \$ 26,979,703 | \$ 26,008,356 | \$ 24,818,453 | \$ 24,040,113 | \$ 23,287,725 | \$ 22,522,003 | \$ 22,481,777 |
| Percent of Total Operating Revenue | 32% | 33% | 33% | 33% | 33% | 34% | 34% | 34% | 33% | 35% |

Source: Commission Billing Records

Table 4
Water: Supplied Billed and Accounted For
Sewer: Treated and Billed
Last Ten Fiscal Years

| Water Sales (1000 gals) | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Residential | 3,680,407 | 3,560,435 | 3,976,127 | 3,739,865 | 3,674,248 | 3,881,968 | 3,974,963 | 3,993,954 | 3,904,169 | 3,891,966 |
| Commercial | 996,420 | 942,418 | 923,456 | 951,713 | 1,074,234 | 1,047,640 | 1,020,339 | 1,043,817 | 995,680 | 1,005,578 |
| Industrial | 272,436 | 207,967 | 249,921 | 213,230 | 230,311 | 267,357 | 246,874 | 301,338 | 332,947 | 292,994 |
| Municipal | 148,617 | 142,430 | 128,660 | 133,021 | 110,883 | 111,240 | 124,078 | 119,125 | 99,915 | 98,405 |
| Solutia contract | 1,634,706 | 1,658,095 | 1,684,109 | 1,582,382 | 1,889,882 | 1,937,904 | 2,052,774 | 2,133,279 | 2,176,832 | 2,764,977 |
| Town contracts | <u>2,686,163</u> | <u>2,452,692</u> | <u>2,993,661</u> | <u>2,702,195</u> | <u>2,369,513</u> | <u>2,533,247</u> | <u>2,720,622</u> | <u>2,938,450</u> | <u>2,940,024</u> | <u>2,846,092</u> |
| Total water billed | 9,418,749 | 8,964,037 | 9,955,934 | 9,322,406 | 9,349,071 | 9,779,356 | 10,139,650 | 10,529,963 | 10,449,567 | 10,900,012 |
| Water supplied | 11,016,740 | 11,513,009 | 11,513,010 | 11,210,150 | 10,576,950 | 10,802,240 | 11,165,680 | 11,648,180 | 11,230,750 | 11,432,110 |
| % Accounted for | 85.5% | 77.9% | 86.5% | 83.2% | 88.4% | 90.5% | 90.8% | 90.4% | 93.0% | 95.3% |
| Sewer Sales (1000 gals) | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Residential | 3,394,332 | 3,283,937 | 3,663,476 | 3,443,074 | 3,422,186 | 3,521,594 | 3,672,325 | 3,700,999 | 3,639,573 | 3,623,135 |
| Commercial | 578,073 | 529,361 | 502,741 | 529,387 | 618,825 | 578,290 | 549,491 | 555,334 | 532,273 | 536,765 |
| Industrial | 143,200 | 138,705 | 146,841 | 146,567 | 168,098 | 182,626 | 182,541 | 175,459 | 164,419 | 161,525 |
| Municipal | 49,142 | 48,269 | 40,363 | 46,422 | 53,692 | 53,868 | 61,530 | 62,876 | 56,562 | 53,819 |
| Food Service | 27,126 | 25,355 | 24,234 | 28,072 | 33,053 | 34,875 | 35,447 | 36,666 | 36,320 | 36,333 |
| Medical | 131,285 | 132,389 | 133,656 | 127,544 | 132,460 | 142,256 | 137,163 | 148,388 | 137,709 | 150,742 |
| Solutia contract | 1,333,389 | 1,422,486 | 1,439,633 | 1,243,311 | 1,484,451 | 1,473,494 | 1,628,296 | 1,667,604 | 1,760,526 | 1,947,061 |
| Town contracts | <u>4,002,239</u> | <u>4,843,313</u> | <u>3,714,734</u> | <u>4,105,485</u> | <u>5,355,536</u> | <u>4,130,910</u> | <u>3,527,632</u> | <u>3,773,133</u> | <u>4,160,382</u> | <u>4,424,605</u> |
| Total sewer billed | 9,658,786 | 10,423,815 | 9,665,678 | 9,669,862 | 11,268,301 | 10,117,913 | 9,794,425 | 10,120,459 | 10,487,764 | 10,933,985 |
| Wastewater treated | 12,824,753 | 12,364,684 | 12,364,685 | 13,535,850 | 17,321,557 | 13,354,455 | 11,972,147 | 12,325,910 | 13,512,560 | 14,417,490 |
| % Accounted for * | 75.3% | 84.3% | 78.2% | 71.4% | 65.1% | 75.8% | 81.8% | 82.1% | 77.6% | 75.8% |

Source: Commission Billing System

* Unaccounted for wastewater includes inflow and infiltration from precipitation and groundwater. The combined sewer system within the City of Springfield, Massachusetts collects surface water runoff from precipitation and snow melt that accounts for the majority of the unaccounted wastewater treated.

Table 5
Billings and Collections
Last Ten Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020**</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015*</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|----------------|---------------|----------------|---------------|---------------|---------------|
| Billings | \$ 94,489,407 | \$ 87,853,208 | \$ 87,843,556 | \$ 77,449,116 | \$ 68,418,378 | \$ 71,714,561 | \$ 69,951,215 | \$ 66,828,449 | \$ 64,477,845 | \$ 62,114,921 |
| Adjustments | (99,141) | 722,136 | 700,973 | 121,199 | 362,899 | 313,365 | 345,814 | (281,823) | (767,583) | (304,095) |
| Write-offs | <u>10,426</u> | <u>38,615</u> | <u>10,084</u> | <u>24,360</u> | <u>255,550</u> | <u>4,025</u> | <u>104,364</u> | <u>99,880</u> | <u>88,395</u> | <u>80,900</u> |
| Net Billings | \$ 94,400,692 | \$ 88,613,959 | \$ 88,554,613 | \$ 77,594,675 | \$ 69,036,827 | \$ 72,031,951 | \$ 70,401,393 | \$ 66,646,506 | \$ 63,798,657 | \$ 61,891,726 |
| Payments | \$ 94,907,745 | \$ 89,586,300 | \$ 86,775,345 | \$ 77,760,365 | \$ 69,171,649 | \$ 71,165,499 | \$ 71,246,016 | \$ 66,670,637 | \$ 63,740,688 | \$ 61,627,375 |
| Collection rate | 100.4% | 102.0% | 98.8% | 100.4% | 101.1% | 99.2% | 101.9% | 100.0% | 99.9% | 99.6% |
| Ending Receivables (before accruals) | \$ 6,380,982 | \$ 5,086,197 | \$ 6,097,153 | \$ 4,327,967 | \$ 4,518,017 | \$ 4,164,095 | \$ 3,301,668 | \$ 4,249,281 | \$ 4,374,664 | \$ 4,405,090 |

*Fiscal year 2015 adjusted during fiscal year 2016

**Fiscal year 2020 adjusted during fiscal year 2021

Source: Commission Billing System

Table 6
Water and Sewer Rate Structure
Last Ten Fiscal Years

| Water Rates (per 1000 gals) | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Residential | \$6.35 | \$5.96 | \$5.60 | \$5.29 | \$4.84 | \$4.30 | \$4.02 | \$3.86 | \$3.72 | \$3.56 |
| Commercial | \$6.35 | \$5.96 | \$5.60 | \$5.29 | \$4.84 | \$4.30 | \$4.02 | \$3.86 | \$3.72 | \$3.56 |
| Municipal | \$4.75 | \$4.45 | \$4.18 | \$3.96 | \$3.61 | \$3.21 | \$2.99 | \$2.87 | \$2.77 | \$2.65 |
| Industrial | \$4.75 | \$4.45 | \$4.18 | \$3.96 | \$3.61 | \$3.21 | \$2.99 | \$2.87 | \$2.77 | \$2.65 |
| Solutia contract | \$4.65 | \$4.36 | \$4.10 | \$3.88 | \$3.54 | \$3.10 | \$2.82 | \$2.66 | \$2.51 | \$2.35 |
| Town contracts | \$2.03 | \$1.95 | \$1.66 | \$1.34 | \$1.73 | \$1.49 | \$1.72 | \$1.53 | \$1.18 | \$1.09 |
| Residential Water % Change | 6.5% | 6.4% | 5.8% | 9.4% | 12.4% | 7.0% | 4.2% | 4.0% | 4.5% | N/A |
| Sewer Rates (per 1000 gals) | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Residential | \$10.04 | \$9.43 | \$8.85 | \$8.36 | \$7.63 | \$7.11 | \$6.59 | \$6.34 | \$6.10 | \$5.80 |
| Commercial | \$11.04 | \$10.37 | \$9.73 | \$9.20 | \$8.40 | \$7.82 | \$7.25 | \$6.97 | \$6.70 | \$6.38 |
| Industrial | \$12.05 | \$11.31 | \$10.61 | \$10.03 | \$9.16 | \$8.53 | \$7.91 | \$7.61 | \$7.30 | \$6.95 |
| Municipal | \$10.04 | \$9.43 | \$8.85 | \$8.36 | \$7.63 | \$7.11 | \$6.59 | \$6.34 | \$6.10 | \$5.80 |
| Food Service | \$13.05 | \$12.26 | \$11.51 | \$10.87 | \$9.93 | \$9.25 | \$8.57 | \$8.24 | \$7.91 | \$7.54 |
| Medical | \$11.04 | \$10.37 | \$9.73 | \$9.20 | \$8.40 | \$7.82 | \$7.25 | \$6.97 | \$6.70 | \$6.38 |
| Solutia contract | \$1.39 | \$1.33 | \$1.29 | \$1.34 | \$1.26 | \$1.20 | \$1.18 | \$1.22 | \$1.11 | \$1.10 |
| Town contracts | \$1.39 | \$1.33 | \$1.29 | \$1.34 | \$1.26 | \$1.20 | \$1.18 | \$1.22 | \$1.11 | \$1.10 |
| Residential Sewer % Change | 6.5% | 6.5% | 5.9% | 9.5% | 7.3% | 7.9% | 4.0% | 3.9% | 5.1% | N/A |
| Water Rates (per 100 CF) | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Residential | \$4.75 | \$4.46 | \$4.19 | \$3.96 | \$3.62 | \$3.22 | \$3.01 | \$2.89 | \$2.78 | \$2.66 |
| Commercial | \$4.75 | \$4.46 | \$4.19 | \$3.96 | \$3.62 | \$3.22 | \$3.01 | \$2.89 | \$2.78 | \$2.66 |
| Municipal | \$3.55 | \$3.33 | \$3.13 | \$2.96 | \$2.70 | \$2.40 | \$2.24 | \$2.15 | \$2.07 | \$1.98 |
| Industrial | \$3.55 | \$3.33 | \$3.13 | \$2.96 | \$2.70 | \$2.40 | \$2.24 | \$2.15 | \$2.07 | \$1.98 |
| Solutia contract (per 100 CF)** | \$3.48 | \$3.26 | \$3.07 | \$2.90 | \$2.65 | \$2.32 | \$2.11 | \$1.99 | \$1.88 | \$1.76 |
| Town contracts (per million gals)* | \$2,028.37 | \$1,950.32 | \$1,656.62 | \$1,340.94 | \$1,727.00 | \$1,491.03 | \$1,717.86 | \$1,526.61 | \$1,178.93 | \$1,089.71 |
| Residential Water % Change | 6.5% | 6.4% | 5.8% | 9.4% | 12.4% | 7.0% | 4.2% | 4.0% | 4.5% | N/A |
| Sewer Rates (per 100 CF) | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Residential | \$7.51 | \$7.05 | \$6.62 | \$6.25 | \$5.71 | \$5.32 | \$4.93 | \$4.74 | \$4.56 | \$4.34 |
| Commercial | \$8.26 | \$7.76 | \$7.28 | \$6.88 | \$6.28 | \$5.85 | \$5.42 | \$5.21 | \$5.01 | \$4.77 |
| Industrial | \$9.01 | \$8.46 | \$7.94 | \$7.50 | \$6.85 | \$6.38 | \$5.92 | \$5.69 | \$5.46 | \$5.20 |
| Municipal | \$7.51 | \$7.05 | \$6.62 | \$6.25 | \$5.71 | \$5.32 | \$4.93 | \$4.74 | \$4.56 | \$4.34 |
| Food Service | \$9.76 | \$9.17 | \$8.61 | \$8.13 | \$7.43 | \$6.92 | \$6.41 | \$6.16 | \$5.92 | \$5.64 |
| Medical | \$8.26 | \$7.76 | \$7.28 | \$6.88 | \$6.28 | \$5.85 | \$5.42 | \$5.21 | \$5.01 | \$4.77 |
| Solutia contract (per million gals) | \$1,392.86 | \$1,326.36 | \$1,288.93 | \$1,340.94 | \$1,138.91 | \$1,197.77 | \$1,145.39 | \$1,060.86 | \$1,108.27 | \$1,099.26 |
| Town contracts (per million gals) | \$1,392.86 | \$1,326.36 | \$1,288.93 | \$1,340.94 | \$1,138.91 | \$1,197.77 | \$1,145.39 | \$1,060.86 | \$1,108.27 | \$1,099.26 |
| Residential Sewer % Change | 6.5% | 6.5% | 5.9% | 9.5% | 7.3% | 7.9% | 4.0% | 3.9% | 5.1% | N/A |
| Average Combined Rate Increase | 6.5% | 6.5% | 5.9% | 9.4% | 9.9% | 7.4% | 4.1% | 4.0% | 4.8% | N/A |

Source: Commission's adopted Rules and Regulations Chapter 5

**Table 6
Water and Sewer Rate Structure
Last Ten Fiscal Years**

(continued)

| Sewer Contract Rates (per million gals) | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Agawam | \$1,536.81 | \$1,603.56 | \$1,537.52 | \$1,592.36 | \$1,553.44 | \$1,105.93 | \$1,431.59 | \$1,503.64 | \$1,375.92 | \$1,323.70 |
| Longmeadow | \$1,176.53 | \$1,139.53 | \$1,145.45 | \$1,211.67 | \$1,140.41 | \$880.54 | \$1,072.83 | \$1,108.53 | \$959.04 | \$996.43 |
| Chicopee | \$742.02 | \$710.27 | \$699.60 | \$744.50 | \$663.23 | \$557.05 | \$652.23 | \$631.46 | \$577.91 | \$590.72 |
| E. Longmeadow | \$1,123.63 | \$1,093.50 | \$1,082.41 | \$1,130.51 | \$1,084.04 | \$802.57 | \$991.09 | \$1,055.03 | \$945.34 | \$922.99 |
| Ludlow | \$1,724.80 | \$1,490.39 | \$1,585.33 | \$1,677.68 | \$1,611.88 | \$1,195.07 | \$1,488.14 | \$1,746.10 | \$1,426.13 | \$1,255.64 |
| W. Springfield | \$1,934.36 | \$1,662.43 | \$1,520.51 | \$1,694.06 | \$1,482.35 | \$1,168.17 | \$1,194.23 | \$1,253.45 | \$1,143.72 | \$1,312.10 |
| Wilbraham | \$1,228.92 | \$1,303.23 | \$1,339.82 | \$1,479.57 | \$1,343.92 | \$1,115.76 | \$1,281.69 | \$1,116.32 | \$1,061.65 | \$1,103.27 |
| Springfield | \$1,295.79 | \$1,277.62 | \$1,060.98 | \$1,235.96 | \$1,207.57 | \$914.55 | \$1,123.16 | \$1,178.85 | \$1,087.99 | \$1,029.08 |
| Solutia / Nova | \$1,191.78 | \$1,029.78 | \$1,230.25 | \$1,182.67 | \$1,006.25 | \$936.01 | \$1,030.71 | \$988.48 | \$901.90 | \$1,032.79 |
| Friendly | \$9,209.37 | \$9,578.44 | \$10,717.54 | \$13,202.84 | \$9,094.13 | \$11,608.00 | \$12,232.93 | \$10,498.96 | \$7,752.63 | \$8,171.27 |
| Totals | \$1,392.86 | \$1,326.36 | \$1,288.93 | \$1,340.94 | \$1,263.53 | \$1,197.77 | \$1,175.82 | \$1,217.98 | \$1,108.27 | \$1,099.26 |

* Fiscal year 2023 Town rates per million gallons are estimated

** Solutia Contract had two separate rates for fiscal year 2019. 7/1/18 - 12/31/18 rate was \$2.32; 1/1/19 - 6/30/19 rate was \$2.35

| | | | | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Solutia contract (per million gals)*** | \$1,392.86 | \$1,326.36 | \$1,288.93 | \$1,340.94 | \$1,263.53 | \$1,197.77 | \$1,175.82 | \$1,217.98 | \$1,108.27 | \$1,099.26 |
| Town contracts (per million gals)*** | \$1,392.86 | \$1,326.36 | \$1,288.93 | \$1,340.94 | \$1,263.53 | \$1,197.77 | \$1,175.82 | \$1,217.98 | \$1,108.27 | \$1,099.26 |

*** Changes in fiscal year 2015 and fiscal year 2016 Town & Solutia Contract rates are due to estimates changing to actuals

Table 7
Commission Per Capita Debt
Last Ten Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Outstanding Principal ⁽⁴⁾ | \$ 292,589,052 | \$ 471,571,568 | \$ 237,373,443 | \$ 196,877,365 | \$ 185,252,698 | \$ 198,021,678 | \$ 185,598,197 | \$ 170,821,830 | \$ 179,270,356 | \$ 136,479,114 |
| City Springfield Population | 154,064 | 154,789 | 155,929 | 153,060 | 153,060 | 154,341 | 154,758 | 153,703 | 153,991 | 153,060 |
| Town of Ludlow Population ⁽¹⁾ | 21,002 | 21,233 | 21,119 | 21,233 | 21,472 | 21,502 | 21,502 | 21,103 | 21,103 | 21,103 |
| Per Capita Debt | 1,671 | 2,679 | 1,341 | 1,130 | 1,061 | 1,126 | 1,053 | 977 | 1,024 | 784 |
| City of Springfield: | | | | | | | | | | |
| Total Personal Income ⁽²⁾⁽³⁾ | \$ 3,568,276,304 | \$ 3,453,033,012 | \$ 3,537,093,436 | \$ 2,309,536,560 | \$ 2,288,247,000 | \$ 2,210,367,000 | \$ 2,109,884,000 | \$ 2,084,349,000 | \$ 2,047,862,000 | \$ 2,010,532,000 |
| Town of Ludlow: | | | | | | | | | | |
| Estimated Total Personal Income ⁽³⁾ | \$ 640,417,000 | \$ 644,575,000 | \$ 602,330,000 | \$ 583,946,000 | \$ 563,460,000 | \$ 553,134,000 | \$ 541,567,000 | \$ 518,896,000 | \$ 503,954,000 | \$ 512,488,000 |
| Debt per Personal Income | 6.95% | 11.51% | 5.73% | 6.80% | 6.50% | 7.17% | 7.00% | 6.56% | 7.03% | 5.41% |

Source:

(1) from Massachusetts Department of Revenue

(2) from City of Springfield, Massachusetts Annual Comprehensive Financial Report

(3) Per capita income data from U.S. Census Bureau, American Community Survey

(4) Approximately 10% of the debt will be supported by the wholesale customers

Table 8
Debt Coverage
Last Ten Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Revenue | | | | | | | | | | |
| Beginning revenue cash | \$ 32,411,767 | \$ 43,946,782 | \$ 36,731,290 | \$ 29,213,733 | \$ 30,858,423 | \$ 23,543,264 | \$ 35,282,607 | \$ 40,949,346 | \$ 24,945,725 | \$ 28,447,735 |
| Deposits to revenue account | 101,043,018 | 93,759,816 | 89,226,889 | 81,689,505 | 81,361,548 | 74,568,571 | 73,080,877 | 67,844,909 | 66,470,471 | 65,134,734 |
| Total cash receipts | \$ 133,454,785 | \$ 137,706,598 | \$ 125,958,179 | \$ 110,903,238 | \$ 112,219,971 | \$ 98,111,835 | \$ 108,363,484 | \$ 108,794,255 | \$ 91,416,196 | \$ 93,582,469 |
| Transfers | | | | | | | | | | |
| To operating accounts | \$ 60,373,093 | \$ 55,777,460 | \$ 51,020,111 | \$ 51,655,361 | \$ 51,368,058 | \$ 42,859,242 | \$ 46,681,334 | \$ 44,787,949 | \$ 44,173,446 | \$ 40,571,463 |
| To (from) debt service reserve | 42,000 | 261,018 | (6,046) | (7,598,820) | (638,043) | 19,186 | 1,247,387 | 1,223,597 | 477,261 | (13,242) |
| Total transfers | \$ 60,415,093 | \$ 56,038,478 | \$ 51,014,065 | \$ 44,056,541 | \$ 50,730,015 | \$ 42,878,428 | \$ 47,928,721 | \$ 46,011,546 | \$ 44,650,707 | \$ 40,558,221 |
| Net Revenue | \$ 73,039,692 | \$ 81,668,120 | \$ 74,944,114 | \$ 66,846,697 | \$ 61,489,956 | \$ 55,233,407 | \$ 60,434,763 | \$ 62,782,709 | \$ 46,765,489 | \$ 53,024,248 |
| Debt Service Requirement | \$ 20,511,800 | \$ 21,067,863 | \$ 18,587,675 | \$ 18,023,355 | \$ 17,191,399 | \$ 16,897,703 | \$ 15,348,323 | \$ 12,837,884 | \$ 10,689,535 | \$ 10,500,118 |
| Debt Coverage | 356.1% | 387.6% | 403.2% | 370.9% | 357.7% | 326.9% | 393.8% | 489.0% | 437.5% | 505.0% |
| Alternate (no begin balance) | 198.1% | 179.0% | 205.6% | 208.8% | 178.2% | 187.5% | 163.9% | 170.1% | 204.1% | 234.1% |
| 125% of debt service required | \$ 25,639,750 | \$ 26,334,829 | \$ 23,234,594 | \$ 22,529,194 | \$ 21,489,249 | \$ 21,122,129 | \$ 19,185,404 | \$ 16,047,355 | \$ 13,361,919 | \$ 13,125,148 |
| 140% of debt service required | \$ 28,716,520 | \$ 29,495,008 | \$ 26,022,745 | \$ 25,232,697 | \$ 24,067,959 | \$ 23,656,784 | \$ 21,487,652 | \$ 17,973,038 | \$ 14,965,349 | \$ 14,700,165 |

Debt Service Requirement: The above calculations are in accordance with the Commission's General Bond Resolution which represents the current years debt service requirement for the Fiscal Year. It does not include future WIFIA debt service requirements that have not been obligated by the Commission through future projected requested funds.

Source: Commission Accounting System

Table 9
Population, Income, and Employment
Last Ten Calendar Years

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| United States | | | | | | | | | | |
| Total Personal Income (\$000) | \$21,804,672,169 | \$23,138,636,220 | \$20,564,900,000 | \$18,599,062,000 | \$17,813,035,000 | \$16,820,250,000 | \$16,115,630,000 | \$15,324,108,725 | \$14,708,582,165 | \$14,151,427,000 |
| Per Capita Income (\$) | \$65,423 | \$69,717 | \$62,090 | \$56,663 | \$54,446 | \$51,640 | \$49,831 | \$47,665 | \$46,129 | \$44,765 |
| Population | 333,287,562 | 331,893,745 | 331,209,000 | 328,239,523 | 327,167,434 | 325,719,178 | 323,405,935 | 321,467,160 | 318,857,056 | 316,128,839 |
| Employment | 169,852,882 | 166,900,336 | 147,795,000 | 157,538,000 | 200,746,000 | 196,132,200 | 193,368,900 | 190,195,400 | 185,798,800 | 182,278,200 |
| New England | | | | | | | | | | |
| Total Personal Income (\$000) | \$1,200,166,525 | \$1,156,873,537 | \$1,098,140,600 | \$1,049,299,200 | \$1,008,436,200 | \$952,330,566 | \$915,452,998 | \$867,004,548 | \$831,543,055 | \$801,066,757 |
| Per Capita Income (\$) | \$79,326 | \$76,651 | \$73,961 | \$70,683 | \$67,893 | \$64,303 | \$62,033 | \$58,863 | \$56,642 | \$54,797 |
| Population | 15,129,548 | 15,092,739 | 14,847,468 | 14,845,063 | 14,853,290 | 14,810,001 | 14,727,573 | 14,729,289 | 14,680,722 | 14,618,806 |
| Employment | 12,603,450 | 12,537,490 | 10,783,355 | 10,127,365 | 10,032,617 | 9,886,800 | 9,777,804 | 9,571,509 | 9,378,271 | 9,217,266 |
| Massachusetts | | | | | | | | | | |
| Total Personal Income (\$000) | \$593,083,781 | \$576,063,500 | \$549,564,800 | \$516,713,600 | \$494,764,600 | \$463,930,693 | \$444,812,504 | \$414,723,656 | \$399,204,457 | \$383,152,205 |
| Per Capita Income (\$) | \$84,945 | \$82,475 | \$79,721 | \$74,967 | \$71,683 | \$67,630 | \$65,186 | \$61,032 | \$59,182 | \$57,248 |
| Population | 6,981,974 | 6,984,723 | 6,893,574 | 6,892,503 | 6,902,149 | 6,859,819 | 6,823,721 | 6,795,177 | 6,745,408 | 6,692,824 |
| Employment | 5,805,465 | 5,790,261 | 3,760,335 | 4,936,751 | 4,872,851 | 4,777,678 | 4,710,176 | 4,542,723 | 4,428,065 | 4,322,176 |
| Western Massachusetts ⁽¹⁾ | | | | | | | | | | |
| Total Personal Income (\$000) | (2) | \$51,632,549 | \$47,945,845 | \$44,927,459 | \$43,647,850 | \$41,889,827 | \$40,025,022 | \$39,196,508 | \$36,463,080 | \$37,085,939 |
| Per Capita Income (\$) | (2) | \$62,664 | \$58,466 | \$54,635 | \$52,647 | \$50,551 | \$48,365 | \$47,201 | \$44,002 | \$44,805 |
| Population | 822,382 | 823,962 | 820,225 | 822,326 | 829,072 | 828,667 | 827,568 | 830,411 | 828,677 | 827,721 |
| Employment | 395,533 | 377,885 | 455,990 | 503,002 | 499,052 | 494,421 | 493,325 | 478,874 | 470,214 | 465,367 |

(1) Includes Hampden, Hampshire, Franklin, and Berkshire Counties

Source: Bureau of Economic Analysis
Bureau of the Census
Boston Water and Sewer Commission Comprehensive Annual Financial Report

(2) 2022 information is not presented as it is unavailable

Table 10
Demographic and Economic Statistics
2022 Calendar Year End Summary

| | Springfield, MA ⁽¹⁾ | United States ⁽²⁾ |
|--|---|---|
| ECONOMY | | |
| Unemployment Rate | 4.4% | 3.6% |
| Recent Job Growth * | 1.9% | 3.7% |
| 3 Year Average | -0.7% | 0.3% |
| 5 Year Average | 0.0% | 0.7% |
| Future Job Growth * | unavailable | unavailable |
| Sales Tax | 6.25% | 0.0% |
| Income Per Capita | \$23,161 | \$41,804 |
| Household Income (Median) | \$44,286 | \$74,755 |
| HOUSEHOLD INCOME | | |
| Income less than 10K | 10.1% | 5.5% |
| Income between 10K and 15K | 10.6% | 3.7% |
| Income between 15K and 25K | 10.4% | 6.8% |
| Income between 25K and 35K | 9.5% | 7.3% |
| Income between 35K and 50K | 12.5% | 10.7% |
| Income between 50K and 75K | 15.7% | 16.2% |
| Income between 75K and 100K | 9.8% | 12.8% |
| Income between 100K and 150K | 12.4% | 16.9% |
| Income between 150K and 200K | 3.2% | 8.7% |
| Income greater than 200K | 5.8% | 11.5% |
| POPULATION BY OCCUPATION | | |
| Management, business, science, and arts occupations | 35.7% | 42.5% |
| Service occupations | 24.4% | 16.1% |
| Sales and office occupations | 16.7% | 19.8% |
| Natural resources, construction, and maintenance occupations | 7.3% | 8.5% |
| Production, transportation, and material moving occupations | 15.9% | 13.0% |

* Growth between 2022 and July 2023

(1) Source: U.S. Census Bureau

(2) Source: Bureau of Labor Statistics

Table 11
Distribution of Customers by Account Type
Last Ten Fiscal Years

| Water Accounts | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Residential | 40,706 | 40,668 | 40,621 | 40,532 | 40,462 | 40,394 | 40,358 | 40,303 | 40,226 | 40,245 |
| Commercial | 2,204 | 2,204 | 2,200 | 2,187 | 2,183 | 2,175 | 2,174 | 2,175 | 2,186 | 2,184 |
| Industrial | 79 | 83 | 85 | 84 | 85 | 86 | 87 | 88 | 91 | 92 |
| Municipal | 206 | 193 | 192 | 185 | 183 | 169 | 162 | 158 | 154 | 147 |
| Solutia contract | 24 | 24 | 25 | 25 | 25 | 25 | 23 | 24 | 24 | 22 |
| Town contracts | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Totals | 43,225 | 43,178 | 43,129 | 43,019 | 42,944 | 42,855 | 42,810 | 42,754 | 42,687 | 42,696 |
| % Change | 0.1% | 0.1% | 0.3% | 0.2% | 0.2% | 0.1% | 0.1% | 0.2% | 0.0% | N/A |
| Sewer Accounts | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Residential | 35,704 | 35,660 | 35,610 | 35,483 | 35,412 | 35,347 | 35,298 | 35,243 | 35,181 | 35,205 |
| Commercial | 1,703 | 1,704 | 1,702 | 1,705 | 1,702 | 1,695 | 1,689 | 1,689 | 1,701 | 1,699 |
| Industrial | 100 | 100 | 100 | 99 | 100 | 101 | 102 | 104 | 104 | 105 |
| Municipal | 108 | 106 | 106 | 105 | 102 | 99 | 96 | 97 | 97 | 92 |
| Food service | 63 | 63 | 61 | 62 | 61 | 65 | 67 | 71 | 70 | 70 |
| Medical | 21 | 20 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Solutia contract | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Town contracts | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Totals | 37,706 | 37,660 | 37,605 | 37,480 | 37,403 | 37,333 | 37,278 | 37,230 | 37,179 | 37,197 |
| % Change | 0.1% | 0.1% | 0.3% | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% | 0.0% | N/A |

Source: Commission Billing System

Table 12
Largest Private Employers
Current Year and Nine Years Prior

| <u>Employer</u> | <u>Nature of Business</u> | <u>2023</u> | | | <u>2014</u> | | |
|---|---------------------------|----------------------------|-------------|--|----------------------------|-------------|--|
| | | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| BayState Health Systems | Healthcare | 8,000 | 1 | 12.9% | 8,700 | 1 | 13.8% |
| Massachusetts Mutual Financial Group | Insurance | 4,300 | 2 | 7.0% | 3,977 | 2 | 6.3% |
| Sisters of Providence | Healthcare | 3,000 | 3 | 4.9% | 1,975 | 3 | 3.1% |
| MGM Springfield | Entertainment | 1,488 | 4 | 2.4% | n/a | n/a | n/a |
| Smith & Wesson | Firearms | 1,000 | 5 | 1.6% | 1,301 | 4 | 2.1% |
| Big Y | Grocery | 1,000 | 6 | 1.6% | 727 | 8 | 1.2% |
| Springfield College | Education | 1,000 | 7 | 1.6% | 1,005 | 5 | 1.6% |
| Western New England University | Education | 855 | 8 | 1.4% | 851 | 7 | 1.3% |
| Springfield Technical Community College | Education | 792 | 9 | 1.3% | 936 | 6 | 1.5% |
| Peter Pan Bus Lines | Transportation | 750 | 10 | 1.2% | 700 | 9 | 1.1% |
| TD Bank | Financial | n/a | n/a | n/a | 450 | 10 | 0.7% |
| | | 22,185 | | 35.9% | 20,622 | | 32.7% |

Source: City of Springfield, Massachusetts June 30, 2023 Comprehensive Annual Financial Report
Official Statements, Massachusetts Department of Labor and Workforce Development

Table 13
Divisional Breakdown of SWSC Funded (Budgeted) Positions
Last Ten Budget Years

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Administration | 14 | 13 | 13 | 11 | 11 | 9 | 8 | 7 | 7 | 8 |
| General Accounting | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Customer Service | 10 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Information Systems | 17 | 13 | 11 | 10 | 10 | 10 | 10 | 7 | 6 | 5 |
| Asset Management | 5 | 1 | 3 | 3 | 3 | 4 | 4 | 4 | 0 | 0 |
| Engineering | 12 | 21 | 25 | 15 | 19 | 19 | 19 | 21 | 26 | 24 |
| Operations Management Water | 2 | 2 | 2 | 3 | 3 | 4 | 3 | 3 | 3 | 3 |
| SERTS | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 |
| Water Supply Administration | 4 | 4 | 5 | 4 | 4 | 3 | 3 | 3 | 4 | 4 |
| Ludlow Reservoir | 6 | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 7 | 6 |
| Provin Mountain | 6 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 8 |
| West Parish Filters | 32 | 30 | 30 | 26 | 31 | 36 | 37 | 35 | 35 | 36 |
| Watershed Management | 3 | 2 | 2 | 1 | 2 | 1 | 1 | 1 | 2 | 2 |
| Borden Brook | 4 | 4 | 3 | 4 | 4 | 3 | 3 | 3 | 0 | 0 |
| Laboratory | 7 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Cross Connection Control | 6 | 5 | 5 | 4 | 5 | 4 | 4 | 4 | 5 | 5 |
| Warehouse Management | 5 | 6 | 6 | 6 | 4 | 4 | 4 | 4 | 4 | 4 |
| Customer Field Service | 10 | 9 | 8 | 9 | 7 | 6 | 5 | 5 | 5 | 6 |
| Meters & Field Service | 24 | 22 | 21 | 21 | 21 | 22 | 22 | 22 | 21 | 22 |
| Water Quality | 15 | 14 | 14 | 14 | 16 | 13 | 13 | 14 | 17 | 18 |
| Water Distribution | 39 | 34 | 32 | 32 | 34 | 35 | 36 | 35 | 34 | 33 |
| Fleet Management | 2 | 2 | 2 | 2 | 2 | 0 | 0 | 0 | 0 | 0 |
| WW Operations Management | 1 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| Sewer Collection Services | 29 | 30 | 33 | 33 | 38 | 41 | 39 | 39 | 38 | 36 |
| Industrial Pretreatment | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| FOG | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 2 | 2 |
| Wastewater Treatment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Totals | 261 | 249 | 252 | 233 | 251 | 250 | 248 | 244 | 245 | 243 |

Source: Commission Budget Documents

Table 14
Water and Sewer Distribution System
Year-End 2023 Summary

Water Distribution System

| | <u>Appurtenances</u> | | <u>Water Main City Wide</u> |
|----------|-----------------------------|-----------------------------|------------------------------------|
| Hydrants | 6,231 | Total Linear Feet | 3,062,297 |
| Valves | 19,833 | Total Linear Miles | 580 |
| Meters | 46,934 | | |
| | | Water Booster Pump Stations | 5 |

Sewer Collection System

| | <u>Appurtenances</u> | | <u>Sewer Pipes City Wide</u> |
|-------------------------------------|-----------------------------|--------------------------------|-------------------------------------|
| CSO Regulator Structures & Outfalls | 24 | Total Linear Feet | 2,498,519 |
| Manholes | 11,505 | | |
| Regulators | 24 | Combined Sewer Miles | 150 |
| Flood Control Gates | 42 | Separated Sewer Miles | 323 |
| | | Total Sewer Miles | 473 |
| | | Sewage Pumping Stations | 26 |
| | | Flood Control Pumping Stations | 8 |
| | | Active CSO's | 24 |

Source: Commission's GIS System

Table 15
Insurance Coverage
2023 - 2024

| <u>Provider</u> | <u>Policy Period</u> | <u>Type of Coverage</u> | <u>Liability Limits</u> | <u>Annual Premium</u> |
|--------------------------------|----------------------|----------------------------------|-------------------------|-----------------------|
| ACE American Insurance Company | 4/2/2023 - 4/2/2024 | Property | \$100,000,000 | \$361,119 |
| Homesite Insurance Company | 4/2/2023 - 4/2/2024 | Special Primary/Excess Liability | \$10,000,000 | \$126,745 |
| HDI Global Specialty SE | 4/2/2023 - 4/2/2024 | Excess Liability | \$5,000,000 | \$52,630 |
| Navigators Insurance | 4/2/2023 - 4/2/2024 | Excess Liability | \$11,000,000 | \$50,250 |
| Safety Insurance Company | 4/2/2023 - 4/2/2024 | Automobile (OOS) | \$1,000,000 | \$9,443 |
| Hanover Insurance Group | 4/2/2023 - 4/2/2024 | Crime | \$1,000,000 | \$4,912 |
| Ace American Insurance | 6/3/2023 - 6/3/2024 | Drone | \$1,000,000 | \$3,921 |

Source: Commission's Insurance Records

**Table 16
Water and Sewer Sales
Last Ten Fiscal Years**

Water Revenues

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Residential | \$ 21,117,952 | \$ 19,443,812 | \$ 20,447,895 | \$ 17,292,613 | \$ 15,616,135 | \$ 14,911,091 | \$ 15,218,954 | \$ 14,381,642 | \$ 13,415,558 | \$ 12,876,718 |
| Commercial | 5,695,713 | 5,139,100 | 4,745,864 | 4,398,794 | 4,563,718 | 4,018,447 | 3,902,296 | 3,752,587 | 3,427,199 | 3,324,153 |
| Industrial | 1,548,066 | 1,139,079 | 1,274,604 | 977,510 | 973,305 | 1,019,910 | 944,766 | 1,080,588 | 1,136,290 | 962,255 |
| Municipal | 847,055 | 768,216 | 650,861 | 605,125 | 475,838 | 428,362 | 472,383 | 432,235 | 348,218 | 332,415 |
| Solutia contract | 7,205,824 | 6,816,682 | 6,229,929 | 5,714,593 | 5,944,006 | 5,521,688 | 5,536,360 | 5,352,632 | 5,107,358 | 5,750,299 |
| Town contracts | <u>5,060,104</u> | <u>5,396,009</u> | <u>4,932,096</u> | <u>3,409,620</u> | <u>4,295,035</u> | <u>4,293,041</u> | <u>4,162,012</u> | <u>2,327,342</u> | <u>3,927,297</u> | <u>3,816,647</u> |
| Total | <u>\$ 41,474,714</u> | <u>\$ 38,702,898</u> | <u>\$ 38,281,249</u> | <u>\$ 32,398,255</u> | <u>\$ 31,868,037</u> | <u>\$ 30,192,539</u> | <u>\$ 30,236,771</u> | <u>\$ 27,327,026</u> | <u>\$ 27,361,920</u> | <u>\$ 27,062,487</u> |
| % Change | 7.2% | 1.1% | 18.2% | 1.7% | 5.5% | -0.1% | 10.6% | -0.1% | 1.1% | N/A |

Sewer Revenues

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Residential | \$ 30,266,555 | \$ 28,201,429 | \$ 28,687,877 | \$ 25,248,071 | \$ 23,742,570 | \$ 22,283,701 | \$ 22,417,606 | \$ 21,468,222 | \$ 20,201,407 | \$ 18,299,524 |
| Commercial | 5,159,947 | 4,533,647 | 3,921,619 | 3,896,503 | 4,300,077 | 3,656,813 | 3,335,785 | 3,229,732 | 2,965,577 | 2,719,577 |
| Industrial | 1,270,733 | 1,178,034 | 1,165,887 | 1,077,082 | 1,167,164 | 1,142,754 | 1,102,505 | 1,004,203 | 912,485 | 806,654 |
| Municipal | 423,578 | 428,376 | 317,969 | 348,468 | 368,578 | 342,826 | 339,232 | 352,828 | 304,162 | 276,567 |
| FoodServ | 231,042 | 214,188 | 176,649 | 190,073 | 215,004 | 228,551 | 226,155 | 217,125 | 202,774 | 184,378 |
| Medical | 1,155,212 | 1,142,336 | 1,059,897 | 950,367 | 921,445 | 914,203 | 848,081 | 868,499 | 760,404 | 760,560 |
| Solutia contract | 2,100,730 | 2,028,009 | 1,743,119 | 1,772,609 | 1,822,289 | 2,247,072 | 2,078,416 | 2,014,469 | 2,261,036 | 2,206,801 |
| Town contracts | <u>6,742,655</u> | <u>7,869,775</u> | <u>7,154,688</u> | <u>6,773,341</u> | <u>6,351,866</u> | <u>5,562,796</u> | <u>4,551,677</u> | <u>4,902,426</u> | <u>3,536,341</u> | <u>4,224,251</u> |
| Total | <u>\$ 47,350,452</u> | <u>\$ 45,595,794</u> | <u>\$ 44,227,705</u> | <u>\$ 40,256,514</u> | <u>\$ 38,888,993</u> | <u>\$ 36,378,716</u> | <u>\$ 34,899,457</u> | <u>\$ 34,057,504</u> | <u>\$ 31,144,186</u> | <u>\$ 29,478,312</u> |
| % Change | 3.8% | 3.1% | 9.9% | 3.5% | 6.9% | 4.2% | 2.5% | 9.4% | 5.7% | N/A |

Source: Commission Billing System

Table 17
Capital Spending by Category
Last Ten Fiscal Years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>Totals</u> | <u>% of Total</u> |
|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-------------------|
| Water | \$ 24,379,276 | \$ 14,911,646 | \$ 8,864,872 | \$ 10,848,846 | \$ 9,454,096 | \$ 8,086,519 | \$ 7,516,116 | \$ 15,371,825 | \$ 14,281,580 | \$ 4,744,033 | \$ 118,458,809 | 29% |
| Sewer | 56,122,095 | 46,273,978 | 28,078,727 | 32,523,915 | 8,869,437 | 15,705,575 | 19,415,137 | 17,824,767 | 11,796,065 | 24,317,434 | 260,927,130 | 64% |
| Power Generation | 775,269 | 246,658 | 553,559 | 576,743 | 539,395 | 952,337 | 894,471 | 253,744 | 221,315 | 652,885 | 5,666,376 | 1% |
| Support | 3,004,163 | 1,538,640 | 1,149,930 | 2,371,762 | 945,701 | 1,152,620 | 2,484,984 | 2,255,125 | 2,528,713 | 2,465,150 | 19,896,788 | 5% |
| Total | \$ <u>84,280,803</u> | \$ <u>62,970,922</u> | \$ <u>38,647,088</u> | \$ <u>46,321,266</u> | \$ <u>19,808,629</u> | \$ <u>25,897,051</u> | \$ <u>30,310,708</u> | \$ <u>35,705,461</u> | \$ <u>28,827,673</u> | \$ <u>32,179,502</u> | \$ <u>404,949,103</u> | <u>100%</u> |

Source: Commission's Accounting System