



Established
1996

SPRINGFIELD WATER AND SEWER COMMISSION

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Minutes of Meeting

April 17, 2025

The Springfield Water and Sewer Commission held a public meeting on April 17, 2025, in accordance with Chapter 2 of the Acts of 2025.

Chairman Rodriguez called the meeting to order at 1:31 PM and announced the Commissioners that are participating. Secretary for the Commission Jaimye Bartak called the attendance roll:

Daniel Rodriguez, Present
Vanessa Otero, Present
Matthew Donnellan, Present

Also Present
Joshua Schimmel, Executive Director
Norm Guz, Commission Counsel
Domenic Pellegrino, Director of Finance
Theo Theocles, Director of Legal Services and Procurement
Steve Frederick, Director of Wastewater Operations
Patrick Burns, Comptroller

Participating Remotely
Raemarie Walker, Deputy Director of Finance
Frank Zabaneh, Engineering Manager
Ryan Wingerter, Director of Field Services
Darleen Buttrick, Director of Engineering
Christina Jones, Deputy Director of Water Operations
James Laurila, Director of Water Operations
Jennifer Boulais, Director of Human Resources
Rick Gomez, Director of IT
Nicole Boland, Billing and Collections Manager
Nicole Sanford, Water Resources Manager
Katie Shea, Educational Outreach Manager
David Hyder, Stantec

New Business

1. Consideration of Acceptance of Drought Resiliency and Water Efficiency Grant: Report by Director of Legal Affairs.

Director of Legal Affairs Theo Theocles reported on a state-issued grant to purchase equipment for drought monitoring equipment.

UPON MOTION DULY MADE BY COMMISSIONER DONNELLAN AND SECONDED BY COMMISSIONER OTERO

VOTED YES –

COMMISSIONER RODRIGUEZ

COMMISSIONER OTERO

COMMISSIONER DONNELLAN:

to accept the Drought Resiliency and Water Efficiency Grant.

2. Discussion of Draft FY26 Budget.

Executive Director Josh Schimmel reported on the draft FY26 budget. The portfolio of projects has changed in cost from \$550 million to \$850 million. This is due to changes in the project scopes, programmatic costs, and new requirements. Meanwhile, there has been a lack of growth in revenue.

Mr. Schimmel continued that previous years' projections are no longer aligned with current budgetary requirements, resulting in unacceptable declines in the debt service coverage (DSC) ratio per the Commission's financial policies. The largest budgetary change is in the sequencing of project financing. Due to uncertainty in SRF programs, the projected debt to be issued in FY26 and FY27 is increasing from \$60 million to \$110 million to take advantage of SRF financing while it is available. Therefore SRF debt is being moved forward on the financing schedule.

Mr. Schimmel added that there have been large increases in costs associated with biosolids, pension, and health insurance. Commissioner Rodriguez noted the Commission has no control over pension costs, and asked what is the driver of health insurance costs. Comptroller Pat Burns responded weight loss drugs.

Mr. Schimmel listed reductions that were made in non-fixed spending items, such as deferring maintenance, to counter these increased costs. Water consumption declines are also not being countered by a growth in the customer base, which remains level.

Mr. Schimmel noted that roughly 90% of the Commission's costs are fixed, making revenue and expenditures at odds with each other. Operation costs do not decrease when customers use less water, and there is a base cost of maintaining a readiness to serve. Water consumption varies with rainfall, resulting in revenue instability, sometimes varying 5-7%. The MA Department of Water Resources encourages adopting more fixed charges as a method of revenue stability for water utilities, and such charges are increasingly common. At some water utilities, up to 67% of their revenue is fixed. Utilities in the region without fixed charges have higher billing rates.

Mr. Schimmel proposed an Infrastructure Renewal Charge (IRC) as part of the FY26 budget that would be linked to annual debt service, and tied to customer meter size. Approximately 94% of retail customers will be in the lowest tier of IRC charges.

Commissioner Otero confirmed that while it is called a "fixed" charge, it will rise and fall with debt service. Mr. Schimmel agreed and noted that the next few years will involve heavy investment at the Commission. Commissioner Rodriguez agreed that tying the IRC to debt service was transparent and showed investment in the community's water and sewer systems. Mr. Schimmel added that the IRC contributed to rate stability, and represented \$7.3 million in revenue, and 24% of the debt service.

Mr. Schimmel continued that the financial team looked at various rate increases and their impact. The IRC has a smoothing effect on rate structure, and rates will not need to increase in FY26. Mr. Schimmel reviewed the different types of scenarios, noting that without the IRC, rates would increase 9.2% and 10.6% in the next two fiscal years.

Commissioner Rodriguez confirmed that the reason behind the changing rate structure is the shift in financing schedule, and keeping the DSC ratio above 1.5. By obtaining SRF financing while it's available, spending and thus costs will increase. Commissioner Otero added that the Commission is not taking in enough revenue to pay for its expenses, and borrowing becomes complicated when revenue drops. Mr. Schimmel agreed that a threshold of decreasing revenue is forcing this change. Commissioner Otero noted that there is a misconception that water should not cost as much as it takes to deliver, and Mr. Schimmel noted that the water sector is regulatory-driven, often working with very old infrastructure to meet new regulations. Commissioner Rodriguez agreed, referring to the HAA5 issue at the existing water plant as an example. Mr. Schimmel noted that the new treatment plant will have space to add new treatment in the future if needed.

Commission Counsel Norm Guz noted that the Commission cannot deficit-spend per Chapter 40N of MGL, and rates must cover current expenses, principle, and interest on any bonds. Commissioner Otero responded that the Board needs to be responsive to current conditions and set responsible rates.

Mr. Schimmel reported that the financial team evaluated the percent change in the household bill of the average customer with the IRC. The largest % increases will be among users with little consumption, or that have bills of \$0 due to customer assistance programs. These customers will begin to pay \$120-\$250/year (\$12-\$20/month). Commissioner Otero noted that these small amounts are reasonable in the context of the cost of water, but that it will have an impact on people with fixed incomes. Mr. Schimmel responded that the Commission will continue to have programs in place to assist them.

Mr. Schimmel continued that fire service line charges will double. Current charges are below what other utilities charge, but applying the IRC to fire service lines would be an unacceptably high increase. Much reinvestment in water mains is due to fire flow testing to ensure adequate fire protection for buildings; this protection also benefits property owners' insurance rates. There are roughly 1,000 fire line services.

Mr. Schimmel continued that the CAP and regular discounts are being increased by 10% to help minimize the impact of the IRC.

Commissioner Rodriguez asked if existing customer assistance programs have been reviewed for expanded eligibility. Mr. Schimmel said they had, but expanding eligibility for seniors (such as lowering the age) would increase the rate. Commissioner Otero noted that many similar programs offered by municipalities or non-profits are supported by outside funding that is not available to the Commission.

Director of Finance Domenic Pellegrino reported that the debt service is a key driving factor of the rate structure. Comptroller Pat Burns reported on the assumptions and highlights of the proposed O&M budget, including that funding was eliminated for 13 positions. There was \$425,000 in cuts from the original budget submitted by directors.

**AT 2:47 PM, UPON MOTION DULY MADE BY COMMISSIONER DONNELLAN AND
SECONDED BY COMMISSIONER OTERO**

VOTED YES –

COMMISSIONER RODRIGUEZ

COMMISSIONER OTERO

COMMISSIONER DONNELLAN:

to take a 5-minute break.

**AT 2:53 PM, UPON MOTION DULY MADE BY COMMISSIONER DONNELLAN AND
SECONDED BY COMMISSIONER OTERO**

VOTED YES –

COMMISSIONER RODRIGUEZ
COMMISSIONER OTERO
COMMISSIONER DONNELLAN:

to return to open session.

Mr. Pellegrino reported on projected revenue. Commissioner Rodriguez asked about whether insurance proceeds from litigation can be expected. Atty. Norm noted that insurance proceeds would need to be applied to a project per the Commission's bond resolution. Mr. Pellegrino responded that if there are no changes to the cost of the project, then borrowing could be decreased when insurance proceeds are received.

Mr. Pellegrino reported on revenue assumptions, and cost apportionments from wholesale contracts. The revenue assumptions are broken down into three categories, revenue based on historical averages, contractual, and consumption. The Infrastructure Renewal Charge is a new proposed source of revenue billed to all customers based on the size of their meter. Contract revenue is based on cost recovery from regional users. On the drinking water side, the Commission recovers an estimated 25% of costs; on the wastewater treatment side, the Commission recovers an estimated 45% of costs (billed out monthly to regional partners). Finally, consumption revenue is based on estimated usage multiplied by the proposed FY26 rate. The FY26 rate is proposed to remain the same (FY25 rate), but estimated consumption will decrease by 1.5%.

Mr. Pellegrino reported that there is an increase in FY26 CIP, increasing from \$12 million to \$14.1 million.

Mr. Schimmel reported on proposed changes to the Rules and Regulations, including changes regarding drought surcharges per new Water Management Act regulations; a new allowance for partial replacements of water services to help customers with costs; the addition of meters on backflow and fire services if they are found to be drawing water; allowing customers shut off for non-payment to pay 50% rather than 100% of an outstanding balance for turn on; and reducing abatement allowances to once every 10 years from once in a lifetime.

Commissioner Otero requested consideration of reducing abatement allowances to once every five years.

Mr. Pellegrino reviewed other changes to Chapter 5, including the application fees for fire flow tests, septage disposal rate, and demand notice charges.

Mr. Schimmel thanked staff for assembling the proposed FY26 budget. Commissioner Rodriguez commented that project financing has been pulled forward that needs to be accounted for, and that the rate structure is changing in accordance with state recommendations while maintaining level rates. Commissioner Otero thanked staff for answering the Board's many questions.

**AT 3:21 PM, UPON MOTION DULY MADE BY COMMISSIONER DONNELLAN AND
SECONDED BY COMMISSIONER OTERO**

VOTED YES –

COMMISSIONER RODRIGUEZ
COMMISSIONER OTERO
COMMISSIONER DONNELLAN:

to adjourn.

3. Consideration and/or action on any other matters that may come before the Commission at this meeting.

None considered.

Submitted By:

Jaimye Bartak, Secretary

Exhibits:

Drought Resiliency and Water Efficiency Grant
Baseline Scenario from prior Fiscal Year
Draft Financial Panel
Draft Budget Summary
Draft FY26 Budget to FY25 Budget Comparison
Draft O&M Increases & Decreases
Personal Services/Attrition Offset
Operating Budget Assumptions
Revenue Budget Assumptions
Draft 3-Year CIP
Draft 5-Year CIP
Draft Updates to FY26 Rules and Regulations
Draft Legal Advertisement for Public Hearing