



DEDHAM-WESTWOOD WATER DISTRICT

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Water Rate Setting Policy As Approved December 20, 2013

Board Financial Policy Regarding the Annual Water Rate Setting Process

This Board policy establishes a single percentage water rate adjustment that incorporates an accommodation for future CPI adjustments and capital expenditures, looking forward several years at both operating and capital spending expectations, and annually recommending a single percentage water rate increase that would be effective for the next several years, thereby precluding potential deficit spending, and maintaining efficient and financially self-sustaining operations. **This single water rate increase shall be set at 2%.** The ultimate goal of this policy is to establish for the Board such financial conditions that enable it to maintain and improve water system infrastructure, fire protection, and water sources by developing water rates sufficient to annually accomplish the above, as referenced in Section 5 of Chapter 193 of the District's Enabling Act.

This policy dictates that a recurring water rate adjustment is predicated on sustained efforts by management to drive budget savings in every phase of water operations. Management will report those savings regularly throughout each year, and will discuss cost-cutting and related savings with the Board regularly at monthly commissioners meetings. The aforementioned budget savings action must be fully and regularly undertaken as a condition for implementation of this financial policy. It will be essential for managers and supervisors to demonstrate to the Board that every effort to balance each budget has been undertaken each year. Further, although both CPI adjustments and capital spending will be incorporated in a Board-sanctioned single percentage rate adjustment annually, highest priority and greatest allocation of funds provided from these annual adjustments will be set aside for annual capital expenditures. To accomplish this priority, the Board shall establish a capital reserve account.

The Board acknowledges that extraordinary or emergency conditions may require modification of this policy, depending on the circumstances manifested. The Board reserves the right to take appropriate budgetary action in these circumstances, including suspension or modification of the single percentage water rate adjustment described above.