

EXHIBIT B — PROJECTED WATER RATE REVENUE (FY 2026–2027) Watertown Water & Sewer Authority

Purpose

The purpose of this exhibit is to estimate projected FY 2026–2027 **water revenue**, including usage-based charges and flat fees, under reasonable consumption scenarios using a single, full-year adopted water rate. This exhibit is intended to support budget deliberations by illustrating the sensitivity of **usage-based revenue** to different consumption assumptions while clearly distinguishing between **variable, usage-based revenue** and **fixed, non-usage revenue sources** that support stable operations.

Rate and Methodology

Rate Used:

\$4.59 per 1,000 gallons (full year)

Unit Definition:

1 billing unit = 1,000 gallons

Projected revenue in this exhibit reflects **usage-based water charges and flat fees only** and excludes penalties, adjustments, non-collections, and other non-volumetric billing components.

In addition to usage-based rates, the Authority generates recurring revenue through **flat fees assessed as part of the regular billing process**. These flat charges provide a stable and predictable revenue stream that is largely insulated from year-to-year fluctuations in water consumption and support fixed operating costs that do not vary with usage.

Flat Fee Revenue

Historical water flat-fee revenue has demonstrated steady growth over time, as summarized below:

Fiscal Year	Billed Water Flats
2018–2019	\$675,846.38
2019–2020	\$722,085.96
2020–2021	\$787,909.10
2021–2022	\$802,786.38

Water and sewer projections rely on multi-year historical averages. Differences in averaging periods reflect data availability and system characteristics rather than policy differences.

Fiscal Year	Billed Water Flats
2022–2023	\$803,658.87
2023–2024	\$803,953.84
2024–2025	\$810,416.22

Water flat-fee revenue has increased by approximately 20 percent over the seven-year period and currently averages roughly \$800,000 annually. This revenue is budgeted separately from volumetric water revenue and is used to support fixed operating costs such as administration, billing, customer service, regulatory compliance, and system readiness.

Methodology (applied consistently to all usage scenarios):

- Convert total annual gallons to 1,000-gallon billing units
- Multiply total units by the adopted rate of \$4.59 per unit

Projected FY 2026–2027 Water Usage Revenue by Scenario

Usage Basis	Annual Gallons	1,000-Gallon Units	Estimated FY 26/27 Revenue
Scenario 1 — FY 2024–2025 Actual Usage Basis	392,696,260	392,696.26	\$1,802,265
Scenario 2 — Seven-Year WSA Average Usage	338,166,608	338,166.61	\$1,551,354

(Rounded to the nearest dollar.)

How the Estimates Were Derived (Summary Calculations)

Scenario 1 — FY 2024–2025 Actual Basis (Sensitivity Case)

- $524,995 \text{ CCF} \times 748 \text{ gallons per CCF} = 392,696,260 \text{ gallons}$
- $392,696.26 \text{ units} \times \$4.59 = \mathbf{\$1,802,265}$

Scenario 2 — Seven-Year Average Basis (Planning Baseline)

- $338,166,608 \text{ gallons} \div 1,000 = 338,166.61 \text{ units}$
- $338,166.61 \text{ units} \times \$4.59 = \mathbf{\$1,551,354}$

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Budget Sensitivity and Planning Considerations

- Projected annual usage-based revenue for FY 2026–2027 ranges from approximately **\$1.55 million to \$1.80 million**, depending on the consumption assumption selected. The resulting revenue swing of approximately **\$327,900 per year** highlights the sensitivity of water revenue to usage variability.
- For planning purposes, the seven-year average usage scenario provides a more stable and defensible baseline, smoothing short-term fluctuations driven by weather, economic conditions, or atypical consumption patterns. Higher recent usage levels are presented as an upper-bound sensitivity scenario to illustrate potential upside but are not relied upon as the primary budget assumption.
- Fixed costs are supported by flat-fee revenue, which has historically demonstrated stability and gradual growth and is currently budgeted at **\$772,380 within the Water Rents line item**.

All revenue projections reflect planning estimates only and exclude adjustments, penalties, credits, reconciliations, or extraordinary events.

Prepared For

Watertown Water & Sewer Authority
FY 2026–2027 Budget Deliberations

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