Boston Water and Sewer Commission

2026 Proposed Rate Document

BOSTON WATER AND SEWER COMMISSION

Boston, Massachusetts

2026 Proposed Rate Document

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Background

The Boston Water and Sewer Commission (the "Commission") was created pursuant to a home rule petition enacted by the Massachusetts Legislature. This legislation is known as the Boston Water and Sewer Reorganization Act of 1977, Chapter 436 of the Acts of 1977 (the "Enabling Act"). The Enabling Act established the Commission as a public instrumentality, a body politic and corporate, and a political subdivision of the Commonwealth, separate and apart from the City of Boston. The Enabling Act transferred the responsibility for the operation and maintenance of the water distribution system (the "Water Distribution System") and the wastewater collection and stormwater drainage systems (the "Sewer System"), which serve the City of Boston to the Commission. Prior to the Commission assuming this responsibility, retail water and sewer services in Boston were provided by the City of Boston's Department of Public Works ("DPW").

The Enabling Act empowers the Commission to independently set rates and charges for the water and sewer services that it provides. The Commission is required to establish fees, rates, rents, assessments and other charges at a level and amount at least sufficient to pay the principal, premium and interest on bonds issued by the Commission, to maintain its reserve funds as stipulated by its General Bond Resolution, to provide funds for paying the cost of all necessary repairs, replacements and renewals of the water and sewer systems and to pay any and all other amounts which the Commission, by law or by contract, is obligated to pay. The Commission's rates must comply with all applicable laws and statutes and the rates must be set in a manner to ensure eligibility for any federal and state funding.

Other provisions of the Enabling Act mandate discounts for persons sixty-five years of age or older and for fully disabled persons. None of the fees, rates, rents or other charges established by the Commission is subject to supervision or regulation by any department, division, commission, board, bureau or agency of the Commonwealth or any of its political subdivisions, or by the City of Boston or any of its political subdivisions. In keeping with the Legislative mandates of the Enabling Act, the Commission has established specific policies that set the parameters necessary for decisions of a financial nature. These policies establish guidelines for operation in accordance with the requirements of the Enabling Act.

The Policy for the Development, Monitoring and Amendment of the Current Expense Budget ("CEB") states that the CEB should provide for the Commission's essential services and current priorities. The Commission uses the CEB development and monitoring process to minimize total costs of operations, consistent with its responsibilities to operate reliable and efficient water and sewer systems, conserve water and protect the natural resources available to the City.

The Enabling Act and the Commission's General Bond Resolution (the "Resolution") of December 6, 1984 and supplemental resolutions require that the Commission, on an annual basis, develop a three-year Capital Improvement Program ("CIP"). As stated in the Commission's Policy for the Development, Monitoring and Amendment of the Capital Improvement Program, the CIP is a comprehensive plan for the enhancement of basic infrastructure and support facilities necessary to provide water distribution, wastewater collection and storm drainage services throughout the City.

Since its creation the Boston Water and Sewer Commission has provided the City of Boston with reliable, quality water. A program, which began as an aggressive 17 mile of water pipe replaced or rehabilitated yearly based on age and the City's construction schedule, has transformed into a successful asset management approach.

In 2011, the Commission completed a Water Distribution Study, which provided a thorough understanding of the water system and how to best manage it. The study gave all stakeholders a better sense of the history of Boston's water infrastructure and provided key insights into current conditions. The study has been responsible for the development of best management practices in valve maintenance, main flushing and more effective methodology of selecting pipe to be replaced under the Capital Improvement Plan. Not only do these tools assist current Commission employees with an understanding of the system, they provide future employees with a roadmap for optimal system maintenance.

The CIP for the Sewer Systems include in-kind replacement and rehabilitation of sewer pipes, installation or replacement of sewers and storm drains that increase the overall capacity of the system, separation of combined sewers, identification and reduction of infiltration and inflow and compliance with permit requirements in the areas of combined sewer overflows and stormwater discharges.

Major sewer system improvements have resulted in increased system capacity and the virtual elimination of dry weather overflows from combined sewers into Boston Harbor and the Neponset, Charles and Mystic Rivers. These improvements have also increased water quality and improved accessibility to all waterways.

The Commission's Policy for the Establishment of Water, Sewer and Stormwater Rates, Fees and Other Charges states that the Commission shall set its rates and charges in accordance with generally accepted accounting principles, generally accepted rate-setting practices of the utility industry and applicable federal and state law. The Commission has established the following rate-setting objectives in addition to the above requirements:

1. Committed to various improvements to the Water Distribution and Sewer Systems, including following an aggressive renewal and replacement program, reducing unaccounted water.
2. Establish a rate structure that fully and fairly reflects its costs, properly distributes the financial obligation concerning its customers base and encourages water conservation.
3. Employed conservative financial projections and budgeting assumptions, maintains adequate reserves and struck a reasonable balance between debt and rate funding of capital expenses.
4. Committed to complying with all its regulatory obligations under federal and state laws, including the Safe Drinking Water Act (SDWA) and Clean Water Act (CWA) with its National Pollutant Discharge Elimination system (NPDES) permitting obligations for both its stormwater systems and combined sewer systems.

Strict adherence to these and other financial policies has allowed the Commission to reduce operating expenses wherever possible, continue to maintain and improve the water and sewer infrastructure and maintain rates as required by the enabling act.

Mission

The Commission was created to maintain and improve the long-term quality and reliability of water and sewer services for all users in the City and to assure adequate funding for the Systems. The Commission is committed to four primary goals:

- ✓ Maintain and improve the Water Distribution, Wastewater Collection Systems and Stormwater Drainage Systems
- ✓ Establish and administer a billing and collection system that is fair and efficient.
- ✓ Maintain a strong financial structure.
- ✓ Sustain the effectiveness of investments / Compliance of regulations.

Commission Organization

A three-member Board of Commissioners, appointed by the Mayor of the City, subject to confirmation by the City Council, oversees the Commission's activities. The Board's primary responsibility is to ensure the sound, economical and efficient maintenance of the Systems, and the provision of water and sewer services to the City of Boston. The Board of Commissioners is also responsible for setting clear financial and operational policy directives.

The Commission consists of five divisions: Executive, Operations, Engineering, Administration and Finance.

The Executive Division provides executive management for the entire Commission, which includes policy formation and strategic planning. The Executive Division also represents the Commission in all legislative lobbying efforts pertaining to securing federal and state funded rate relief. This Division is also responsible for implementing and monitoring the Commission's affirmative action plans and ensuring the participation of women and minority owned businesses in obtaining goods and services contracts. The Division handles the management and maintenance of the Commission's facilities and support services. Management of Commission activities as well as reporting to the public information regarding specific activities is also handled by this Division. Additional responsibilities of the Executive Division include representing the Commission in all litigation and the hiring and benefits management for all employees.

The Operations Division ensures the ongoing maintenance and emergency repairs to the Commission's water and sewer mains, service connections, hydrants and drains. The Division is also responsible for inventory control. The Division is responsible for water main flushing, water sampling for compliance matters and cross connection inspections. Additional responsibilities of the Operations Division include overseeing and directing Safety & Training, providing its employees with proactive personnel services and management and maintenance of the Commission's automotive fleet for the entire Commission. More recently, the Operations Division developed a CMOM program as described below.

On August 23, 2012, the Commission entered in a Consent Decree with the Environmental Protection Agency ("EPA"). Under the terms of the Consent Decree the Commission implemented

a Capacity, Maintenance, Operations and Management ("CMOM") self-assessment study in 2012 that analyzed all aspects of the Commission's sanitary sewer and storm drainage facility operations and maintenance. The Commission finalized a CMOM Corrective Action Plan in July 2013 and developed a CMOM Program Document in May 2014. The CMOM Program synchronize infrastructure maintenance and operations goals with long-term CIP planning to achieve CWA compliance with the Commission's NPDES permit and ultimately improve water quality.

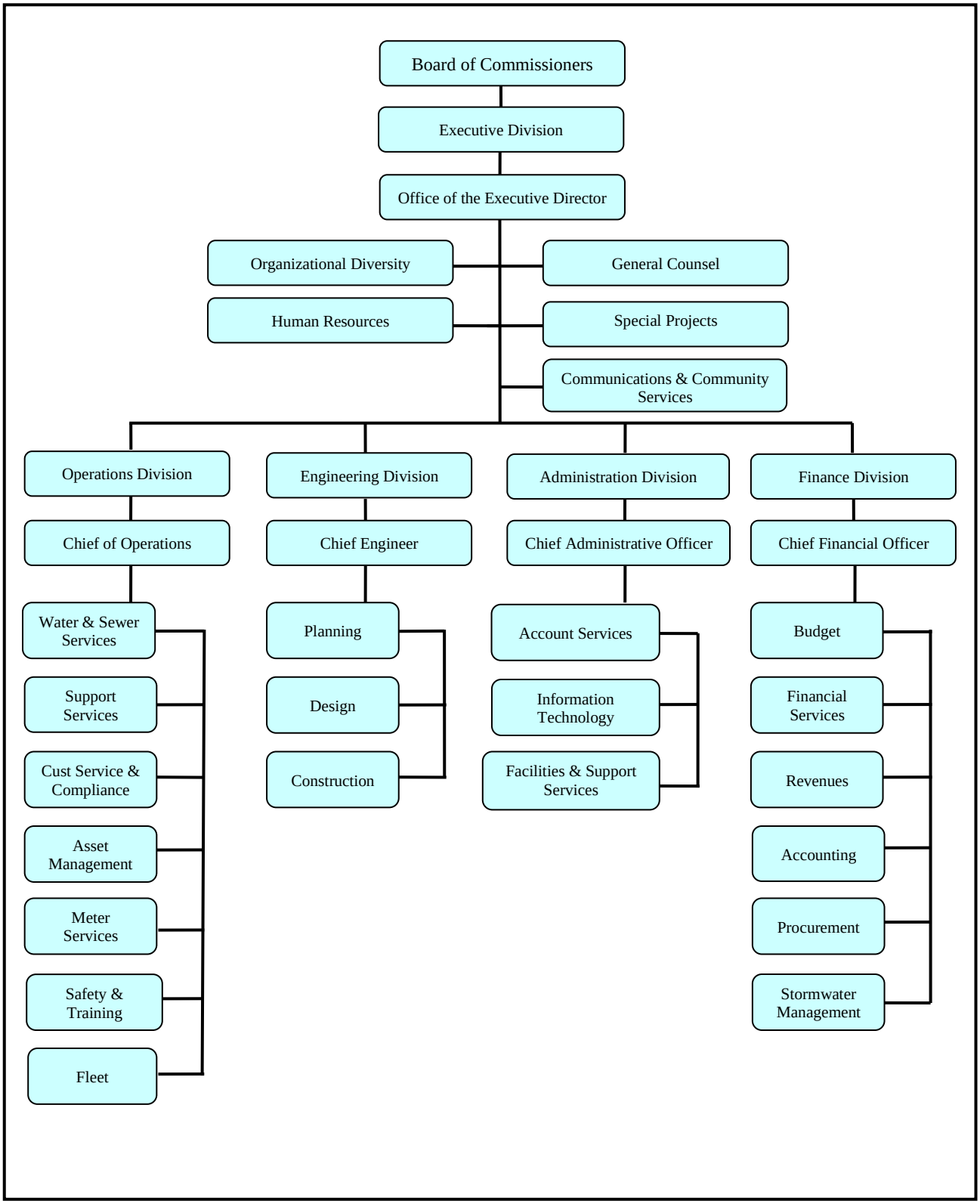
As part of the CMOM Corrective Action Plan filed with the EPA, the Commission must increase its inspection and assessment of its sewer and drainage systems. The program represents progressive increases in the quantity of pipes cleaned and televised with an end goal of completing approximately 10% of the system annually.

The Engineering Division ensures the provision of high quality, reliable water and sewer and drainage services. This is done by effectively planning, designing, managing and providing contract compliance for the construction of the Commission's capital projects.

The Administration Division provides support functions for the Commission's customers with administrative support services. This Division is also responsible for maintaining collections and customer services. A major responsibility of this Division is the installation and repair of water meters throughout the City of Boston. This Division is also responsible for the preservation of the Commission's technical infrastructure.

The Finance Division is responsible for the establishment of policies to provide maintenance of a strong financial structure designed to provide the lowest possible cost of water, wastewater and storm drainage services, establish a billing methodology that is fair and equitable to all rate payers, advance security for the Commission's bond holders, design and implement and internal control structure intended to provide reasonable security for the safeguard of Commission's assets.

Commission Organization



Water Distribution and Sewer & Stormwater Systems

The Commission serves a mixed population of residential, commercial and tax-exempt institutional customers. It is estimated that the population of 673,000 increases each day to approximately 1.2 million through the addition of workers, shoppers, commuting students, overnight guests in hotels and homes, tourists, convention, trade show and sporting event attendees and hospitals patients and visitors.

The Commission currently owns and operates a system for the distribution of potable water to customers throughout the City of Boston. The Commission purchases finished water (fluoridated and disinfected) from the MWRA. The MWRA is a wholesale provider of water to 54 communities in the metropolitan Boston area.

Boston's early settlers relied on water from cisterns and underground wells, but the quality was poor and the supply inadequate. The first attempt to provide an alternative came from a private company. In 1796, the Aqueduct Corporation began delivering water from Jamaica Pond through a system of wooden pipes.

In 1848, the City of Boston obtained its first municipal water supply from Lake Cochituate via the Cochituate Aqueducts and the Brookline Reservoir. In order to meet the growing needs of Boston and the necessary system expansion, construction began in 1866 on the Chestnut Hill Reservoir and construction of reservoirs on the Sudbury River to feed the Chestnut Hill Reservoir through the Sudbury Aqueduct soon followed. The Metropolitan Water District was formed in 1895 and by 1908 the Wachusett Dam, Reservoir and Aqueduct were completed.

By the early 1900s, it was apparent that the Boston metropolitan area required additional water supplies and a more comprehensive plan to ensure its delivery. The Metropolitan District Commission ("MDC") Water Supply Division was created in 1926 as a solution to this problem and was responsible for building many MDC facilities, among them Quabbin Reservoir, the Quabbin Aqueduct and the Hultman Aqueduct.

On July 1, 1985, legislation was affected which transferred the possession, control and operation of the MDC Water and Sewerage Divisions to the newly created MWRA. However: MDC is now known as the Department of Conservation and Recreation ("DCR") and is responsible for the operation and maintenance of the watershed at the Quabbin and Wachusett Reservoirs, the expenses of which are reimbursed to the DCR by the MWRA.

The Water Distribution System supplies water to the City through five independent water main networks based on pressure needs and geographical location. Approximately 90% of the water consumed in the City is distributed through two of these networks. The Commission's current water distribution system consists of approximately 1,009 miles of pipes with diameters ranging from 4 to 48 inches; 17,894 valves; 12,855 hydrants; and 15 miles of high-pressure fire pipe.

The Commission purchases its water supply from the MWRA through 30 active metered connections located at various delivery points throughout the Water Distribution System. The MWRA obtains its water supply from the Quabbin and Wachusett Reservoirs, which have a

combined capacity of approximately 490 billion gallons. All major watershed areas are located in central Massachusetts. Water is delivered to the metropolitan Boston area from the Quabbin and Wachusett Reservoir systems, located approximately 65 and 35 miles west of Boston through aqueducts to the Loring Road Tanks and Norumbega Reservoirs, and then through MWRA transmission tunnels and pipes into the Commission's five service networks. The Quabbin Reservoir is located at an elevation of approximately 530 feet above the mean elevation of the City. This elevation differential creates a natural gravitational flow through most of the MWRA's Waterworks System. This location insulates the MWRA and consequently the Commission from the cost of energy, which would otherwise be needed to pump the water to the Commission's Water Distribution System.

The Commission owns and operates a system for the collection and transport of wastewater and storm drainage in the City of Boston. The original backbone of the sewer system was the Boston Main Drainage System ("BMDS"). The BMDS was constructed from 1877 to 1884 under the direction of a special committee established by the City of Boston for that specific purpose. The original system consisted of five combined interceptors, the Calf Pasture pumping station and the Dorchester Bay Tunnel (the pumping station and the tunnel is no longer in use). The BMDS interceptors were initially designed to carry a peak dry weather sanitary flow together with an allowance for stormwater. In 1988, construction of the New Boston Main Interceptor and the New East Side Interceptor was completed, replacing portions of the original system.

The Commission's Sewer System collects wastewater and stormwater in the City. The Sewer System consists of approximately 1,541 miles of sewers, including 718 miles of sanitary sewers, 674 miles of storm drains and 137 miles of combined sewers. Sanitary sewers range in size from six-inch clay pipes to 20ft by 15 ½ft reinforced concrete interceptors. The overall sewer system includes 144 regulators and 200 tide-gates. Separate sanitary sewers and storm drains serve approximately 35 square miles, or 83 percent of the City. There are 267 Commission stormwater outfalls. Other facilities include 9 pumping stations and 2 gatehouses.

The Commission's sanitary and combined flows are transported to the MWRA's secondary treatment plant on Deer Island. Flows from the southwestern neighborhoods and part of Brighton were formerly conveyed to the MWRA's Nut Island treatment plant in Quincy. In the summer of 1999, the Nut Island plant was replaced with new head-works, and the new inter-island tunnel was activated to convey flows from Nut Island across Boston Harbor to Deer Island.

2026 Proposed Rates

The 2026 Proposed Water, Sewer and Stormwater Rate Schedule is presented on page 9. The 2026 Proposed Water, Sewer and Stormwater Rate Revenue will be increased by 1.50%.

The water, sewer and stormwater rate revenue structure proposed for 2026 is in accordance with the Commission's Rate Setting Methodology described on page 10. The average combined water and sewer rate revenue will be $25.16 per 1,000 gallons. Analysis of the Commission's anticipated expenditures as outlined in the 2026 CEB and revenues from sources other than rates indicates that the current rate structure will generate revenues sufficient to meet the Commission's projected 2026 expenses and all other legal and contractual funding requirements.

The proposed stormwater charge would be a charge for all parcels in the City of Boston with greater than 400 square feet of impervious (hard/impermeable) surface. The stormwater charge will be charged per Equivalent Residential Unit (ERU). Each ERU is equal to 2,164 square feet of impervious surface. The rate per ERU will be $9.06. The proposed stormwater charge will be implemented as follows: (1) All one to six unit residential properties will be charged only one ERU per month, (2) all other parcels will be charged per ERU based on the amount of square feet of impervious area. The total amount of impervious area will be divided by 2,164 and rounded to the next whole number to calculate the number of ERUs a parcel will be charged.

The 2026 Special Service Fees, as described on pages 16-20. Please note that the cost of Water & Sewer Pipe Inspections, Water & Sewer Construction (Per Diem), Fire Flow Test, Cross Connection Inspection, Grease Trap Permits, Meter Test and Replacement Cost, Frozen Meters Replacement Cost, Street Sweeping Permits, Drain Layer Licenses and Fire Pipes have increased. The Special Service Fee Schedule is presented in Exhibit B.

Water, Sewer & Stormwater Rates

Implemented January 1, 2026 and effective through December 31, 2026

Consumption (Cu. Ft./Day)	Water Rate Per 1,000 Cubic Feet	Water Rate Per 1,000 Gallons	Sewer Rate Per 1,000 Cubic Feet	Sewer Rate Per 1,000 Gallons
First 19	$70.19	$9.384	$66.68	$8.914
Next 20	$74.96	$10.022	$77.87	$10.410
Next 50	$81.75	$10.930	$96.24	$12.866
Next 260	$87.14	$11.649	$107.69	$14.397
Next 950	$91.71	$12.261	$117.20	$15.668
Over 1299	$95.48	$12.764	$126.03	$16.849
Stormwater Rate				
1 ERU = $9.06 (Per Month)				

The average one family customer using 180 gallons per day ("GPD") in 2026 will be charged $113.84 per 31-day month or approximately $1,340.41 annually.

Financial Planning Process and Year End Position

The Commission executes an annual financial planning process. This process adheres to established procedures in completing each phase of the Commission's comprehensive financial plan. These phases (Goal Setting, Capital Improvement Program, Budget Process, Direct Expense and CEB Development and Rate Setting) result in the determination of the level of expenses for which the Commission must allocate financial resources, along with the identification of the sources of funding. The primary source for funding the direct expenses for each fiscal year is customer water, sewer and stormwater charges.

Rate Setting Methodology

In accordance with legislative and policy mandates, using generally accepted rate setting practices of the utility industry, the Commission follows a specific annual process in developing and setting water, sewer and stormwater rates. The Commission's Rate Setting Methodology consolidates the following phases: Legislative/Policy Analysis; Water Demand Analysis; Financial Analysis; and the Water, Sewer and Stormwater Rate Calculation. Legislative/Policy Analysis must be performed annually to ensure that the Rate Setting Process is conducted in compliance with all generally accepted accounting principles, generally accepted rate making practices and that it adheres to all existing legal and policy directives mandated by the Enabling Act and the General Bond Resolution. The Water Demand Analysis evaluates factors that may have an impact on consumption levels. Analysis of changes in the composition of the Commission's customer base, the occurrence of extreme weather conditions, economic trends, water conservation efforts and the impact on consumption, if any rate change is performed. The third component of the Rate Setting Methodology is the Financial Analysis phase, which evaluates the past, present and projected financial position of the Commission. This analysis is used as an aid in determining a projection of revenues, adjustments to revenues and expenses for a given year. Completion of this analysis results in the total projected level of expenses for the ensuing year and the determination of the rate revenue requirement for that year. The final phase of this process is Water, Sewer and Stormwater Rate Calculation. The rate revenue requirement is allocated to water, sewer and stormwater costs to derive a water revenue requirement, a sewer revenue requirement and a stormwater revenue requirement. Rate increases, if required, are determined by dividing the water and sewer rate revenue requirement by the estimated revenue from current water and sewer rates. Stormwater rates are determined by dividing the total stormwater rate revenue requirement by the total number of ERUs and then divide by 12 months to determine the monthly rate per ERU. The estimated percent increases are then applied to current water, sewer and stormwater rates resulting in the calculation of new water, sewer and stormwater rates.

Another important factor in the annual Rate Setting Process is the projection of rate increases for the ensuing four-year period. In order to project the level of future rate increases, the Commission must estimate the level of expenditures required to operate and maintain the system, provide basic services and meet all legal and contractual obligations for the following four years. Utilizing the latest MWRA projections of future rate increases and estimating the level of Direct and Indirect Expenses, the Commission is able to project the combined water, sewer and stormwater rate increases for a given four-year period. Utilizing this methodology, the Commission currently projects combined water, sewer and stormwater rates will increase by the following percentages through 2030.

Projected Water, Sewer and Stormwater Rate Revenue Increase

2027	2.90%
2028	2.90%
2029	2.95%
2030	2.95%

2026 Current Expense Budget

The 2026 CEB outlines $501.0 million in anticipated revenues and expenses. This represents an increase of $16.4 million, or 3.4% from the 2025 CEB. The revenue outlined in the 2026 CEB is derived from the following sources: Water, Sewer and Stormwater Rate Revenue (less Adjustments, Discounts and Bad Debt), Prior Year Surplus, Miscellaneous Income and Investment Income.

Water, Sewer and Stormwater Net Rate Revenue, which represents customer water, sewer and stormwater charges less any adjustments and discounts, is projected to be approximately $473.3 million, or 94.5% of the total revenues projected for 2026. Miscellaneous Income, which consists of Special Service Fee billings, Late Payment Income, monies from Recognition of Deferred Revenue and Fire Pipe Income constitutes approximately $16.4 million, or 3.2% of total revenue. Investment Income comprises $8.9 million, or 1.8% of revenue. Prior Year Surplus makes up approximately $2.4 million, or 0.5% of the total revenue projected for 2026.

Expenditures are categorized as Direct and Indirect. Direct Expenses are the costs associated with the daily operations of the Commission. Direct expenses in the 2026 CEB are $108.4 million, an increase of $0.8 million, or 0.7% from the 2025 CEB. Indirect expenses in the 2026 CEB are budgeted at $392.6 million, an increase of $15.6 million, or 4.1% from the 2025 CEB amount of $377.0 million. MWRA Assessment is the largest line item expense contained in the CEB. The MWRA Assessment is budgeted at $268.9 million, or 53.7% of total expenses.

Indirect Expenditures include MWRA Assessment, Capital Improvements, Debt Service, Contractual Funding Obligations and SDWA Assessment. The amount budgeted for these line items in FY26 are as follows: MWRA Assessment totals $268.9 million, Capital Improvements total $48.3 million, Debt Service totals $57.7 million, Contractual Funding Obligations total $17.5 million and SDWA Assessment totals $0.2 million.

2026-2028 Capital Improvement Program

Under the Enabling Act and the General Bond Resolution, the Commission must annually prepare a three-year CIP. The overall objectives of the Commission's CIP are to ensure the delivery of high quality potable water for consumption and fire protection, the efficient and hygienic collection of sewage for transport to a treatment facility or for approved discharge. In addition, the CIP includes projects to improve the overall efficiency of the Commission and to enhance the Commission's ability to provide services to its customers. Projects included in the CIP are intended to accomplish these objectives in the most efficient and cost-effective manner. In general, water and sewer system projects must have a useful life of at least ten years, facility improvements at least seven years and equipment purchases at least five years to be included in the CIP. The 2026-2028 CIP represents a continued commitment by the Commission to ensure the uninterrupted delivery of water and sewer services while working to reduce unnecessary water loss and minimize pollution of Boston Harbor and tributary waters.

The 2026-2028 CIP identifies $389.6 million in total capital expenditures over the three years of the program. The projects outlined in the 2026-2028 CIP are divided into four categories: Water Distribution System projects account for $117.5 million, or 30.2% of the 2026-2028 CIP. Sewer System projects comprise $143.3 million, or 36.8%, Support projects total $59.0 million, or 15.1% of the expenditures outlined in the program, and Stormwater projects account for $69.8 million, or 17.9% of the 2026-2028 CIP.

The CIP has financed most additions to and major rehabilitation necessary for the current sound operation of the Systems. CIP expenditures are funded by five funding sources: Bonds, Rate Revenue, the MWRA funded Local Water System Assistance Program (LWSAP), the MWRA funded I/I Local Financial Assistance Program (MWII), and the State Revolving Fund (SRF). In 2000 the MWRA instituted a new assistance program for the identification and removal of lead from water pipes. This program is called the Lead Service Line Replacement Loan Program (MWLLP). Costs for this program are associated under the MWRA Water Assistance program and SRF. Rate funded projects comprise of $147.2 million or 37.8%; Bonds funded projects account for $135.3 million of the 2026-2028 CIP or 34.7%; MWRA funded sewer projects account for $33.2 million of the 2026-2028 CIP or 8.5%; SRF funded projects account for $70.5 or 18.1% of the 2026-2028 CIP; and MWRA funded water projects total $3.4 million of the expenditures outlined in the program or 0.9%.

2026 Proposed Rates

Exhibit A on page 15 sets forth the 2026 proposed Water, Sewer and Stormwater Rate Schedule. The proposed rates, which become effective on January 1, 2026, represent a combined 1.5% increase in rate revenue. The proposed average combined water and sewer rate for 2026 will be $25.16 per 1,000 gallons. The proposed average water rate will be $11.38 per 1,000 gallons and the average sewer rate will be $13.79 per 1,000 gallons. The average one-family customer using 180 gallons of water per day in 2025 will be charged approximately $113.84 per 31-day month or approximately $1,340.41 annually.

In addition to the water and sewer rates outlined in Exhibit A, the rate structure allows the Commission to recover the cost of special services that are provided to specific users. In accordance with generally accepted rate making practices, the Commission recovers from individual users of special services, the full cost of providing these services, without burden to the general ratepayer. This is accomplished through the Commission's Special Service Fees. Exhibit B contains a list of the Special Service Fees for 2026. Specific information regarding Special Service Fees, Fire Pipe Service Fees, Late Payment Charges and Discounts is detailed below.

- Examples of Special Services include Water, Sewer and Stormwater Lien Certificates, Cross Connection Inspections and Special Meter Tests. Water, Sewer and Stormwater Lien Certificates are necessary for the transfer of ownership of property. Cross Connection Inspections are mandated by the Department of Environmental Protection ("DEP") for the protection of the potable water supply against backflow of contaminants. Special Meter Tests are provided to customers for the purpose of verifying the accuracy of their water meter. The Commission forecasts the level of revenue generated by Special Service Fee billings in 2025 at $7.5 million. The Special Service Fee Schedule is set forth in Exhibit B.

- The Commission also provides water service for fire pipe connections and charge customers separately for this service. The Fire Pipe Fees for four or smaller, six and eight or larger inch will not change. Fire pipe connections service internal sprinkler systems and standpipes that are utilized for fire protection in buildings. The Special Fire Pipe Service Fees are outlined in Exhibit C.

The Commission has approximately 9,818 fire pipe connections in the City. Generally accepted rate making practices recommend the imposition of special fire service fees for private fire protection. The American Water Works Association states that:

> "The cost of providing private fire-protection service to individual properties represents a service not directly benefiting the general customer population of the utility. Such a service provides a measurable benefit that can reasonably be charged for through a system of rates and charges to those customers receiving private fire-protection service." [1]

The installation of a private fire-protection system has value to property owners and tenants. The private fire protection system reduces the risk of personal injury and property damage, enhances fire-fighting capabilities and reduces fire insurance premiums. Fire pipe revenue in 2026 is forecast at $6.4 million.

- The Commission will continue to assess a Late Payment Charge for delinquent amounts outstanding. The purpose of the Late Payment Charge is to encourage the prompt payment of water, sewer and stormwater bills by all customers and to avoid any subsidization to slow paying customers from timely paying customers. This charge is equal to 0.03836% per day, or 14% annually, and is applied to amounts outstanding greater than 30 days from the original bill posting/printing date. The preceding information is also shown in Exhibit D. Late payment charges are forecast at $2.5 million for 2026.

- As required by the Enabling Act, the Commission will continue to offer a discount to qualified elderly and disabled customers. The level of the Elderly and Disabled Discount is 30% of the water, sewer and stormwater portions of the bill and is offered to elderly/fully disabled resident homeowners of one to four family dwellings. Exhibit E on page 20 outlines the Elderly and Disabled Discount Program.

[1] American Water Works Association, Manual M26, "Water Rates and Related Charges," 1986, p. 7.

Exhibit A

Water, Sewer & Stormwater Rates

Implemented January 1, 2026 and effective through December 31, 2026

	Water Rate		Sewer Rate	
Consumption (Cu. Ft./Day)	**Per 1,000 Cubic Feet**	**Per 1,000 Gallons**	**Per 1,000 Cubic Feet**	**Per 1,000 Gallons**
First 19	$70.19	$9.384	$66.68	$8.914
Next 20	$74.96	$10.022	$77.87	$10.410
Next 50	$81.75	$10.930	$96.24	$12.866
Next 260	$87.14	$11.649	$107.69	$14.397
Next 950	$91.71	$12.261	$117.20	$15.668
Over 1299	$95.48	$12.764	$126.03	$16.849
Stormwater Rate				
1 ERU = $9.06 (Per Month)				

Exhibit B

Special Service Fee Schedule

Implemented January 1, 2026 and effective through December 31, 2026

Type	Fee
Water and Sewer Lien Certificate (1)	$150.00 Maximum
Return Payment Processing Fee	$25.00
Cross Connection Inspection Fee (2)	$160.00
Administrative Processing Fee (2a)	$65.00
Installation Application Fee	Size of pipe
5/8"	Cost Basis
1"	Cost Basis
1- 1/2"	Cost Basis
Excavation	Cost Basis ($900.00 deposit)
Fire Pipe Excavation	Cost Basis ($2,500.00 deposit)
Water Pipe Inspection: (3)	
Monday - Saturday, regular hours	$400.00 per connect or disconnect
Monday – Saturday, overtime rate	$470.00 per connect or disconnect
Sunday and Holidays	$530.00 per connect or disconnect
Sewer Pipe Inspection: (3)	
Monday - Saturday, regular hours	$400.00 per connect or disconnect
Monday - Saturday, overtime rate	$470.00 per connect or disconnect
Sunday and Holidays	$530.00 per connect or disconnect
Water and Sewer Construction:	
Multi-day Inspection (4)	$1,170.00 per diem
Multi-day Inspection (4), overtime rate	$1,370.00 per diem
Multi-day Inspection (4), Sunday&Holiday	$1,565.00 per diem
Water Turn-off (5)	$40.00
Water Turn-on (6)	$40.00
Termination Notice Fee (7)	$80.00
Fire Flow Test	$660.00
Backflow Test Fee	$160.00
Street Sweeper Hydrant Permit	$2,285.00 Annually (July 1 to June 30)
Special Meter Test (9)	Cost Basis
Drain Layer's License: New	$300.00
Renewal	$100.00
Construction Plans and Drawings (10)	$6.00
Frozen Meter Replacement (11)	Cost Basis
Water Meter 3 Inches and Larger Installed	Cost Basis
Sewer Abatement Meter Installed	Cost Basis
Meter Transmission Unit Installed (MTU)	Cost Basis
Off Hour Meter Service	Cost Basis
Leak Up To Owner (LUTO)	
and Lead Pipe Replacement (12)	Cost Basis
Grease Trap Permit Fee	$160.00 annually/per grease trap
Hydrants (13)	Cost Basis
Industrial Stormwater Inspection Fee (14)	Cost Basis
Creation of As-built Plans (15)	$460.00

Special Service Fee Schedule (continued)

Implemented January 1, 2026 and effective through December 31, 2026

(1) *In accordance with M.G.L. Chapter 60, Section 23B:*
"…for land of less than one acre upon which there is no permanent structure, a fee of twenty-five dollars; for land upon which is situated no more than a single family residence and outbuildings, a fee of twenty-five dollars; for land upon which is situated no more than a two family residence and outbuildings, a fee of twenty-five dollars; for land upon which is situated no more than a three family residence with outbuildings, a fee of twenty-five dollars; for land upon which is situated a residence for four or more families, a fee of one hundred dollars; for land upon which is situated a commercial, industrial or public utility structure, a fee of one hundred and fifty dollars; for farms, forest land and all other real property, a fee of fifty dollars. In no case shall the fee exceed one half of one percent of the assessed value of the real estate...."

(2) Annual inspection is required for all double-check valve assembly type backflow prevention devices. All other types require semi-annual inspection.

(2a) Fee charged when property owner performs inspection, but Commission processes the paperwork.

(3) For inspections that take place during regular work hours, will be charged $400.00, inspections done outside regularly scheduled work hours (overtime), will be charged $470.00, inspections that are done on Sundays or holidays, will be charged $530.00 per connection or disconnection.

(4) Assessed daily while providing water and sewer inspection services on construction projects of one or more day's duration.

(5) Not applicable if account was terminated for non-payment of charges (included in Termination Notice Fee).

(6) Applicable to any account requesting water turn-on services.

(7) Charge for mailing and posting final termination notice and demand for payment pursuant to the Billing, Termination and Appeal Regulations of the Commission.

(8) The Commission currently requires a $750.00 deposit for hydrant meters issued to private contractors. The deposits are refundable upon return of hydrants less any usage fees or charges for damage to the meter. On occasion, a hydrant meter is not returned to the Commission because it has been lost, stolen or misplaced. Other times a hydrant meter may be returned with a broken, damaged or frozen insert that causes it to under-register or not register water consumption at all. In both these instances, the Commission is unable to calculate the amount of water used. A standard $400.00 water usage fee will be applied in these circumstances.

Special Service Fee Schedule (continued)

Implemented January 1, 2026 and effective through December 31, 2026

Hydrant Meter & Parts	Replacement Cost
Check Valve	$125.00
Hose Cap Reducer 2 1/2x3/4	$100.00
Hose Nipple	$150.00
Hydrant Cap	$300.00
Hydrant Meter	$1,800.00
Hydrant Wrench	$150.00
Meter Insert	$630.00
Gate Valve	$175.00

(9) No charge if meter is over-registering based on American Water Works Association standards, or if Commission ordered test. Breakdown of the meter test fee listed below.

Size of Meter		***Test Fee***
5/8-inch		$490.00
1-inch		$610.00
1 ½ -inch		$980.00
2-inch		$1,170.00
3-inch or larger		Cost plus Materials

(10) Maps, drawings and prints may be obtained from the Commission on request. Public agencies and Commission consultants and contractors (on bid projects only) receive maps at no charge. The cost per map is detailed below:

Type		***Cost***
Base Maps		
Prints		$6.00/sheet
Paper Sepias		$6.00/sheet
Mylar Sepias*		$50.00/set plus printer's charge
Wash off Mylars*		$50.00/set plus printer's charge
Water and Sewer Maps		
Prints		$6.00/sheet
Paper Sepias		$6.00/sheet
Mylar Sepias		Not Available
Wash off Mylars		Not Available

*Sold to government agencies only

Special Service Fee Schedule (continued)

Implemented January 1, 2026 and effective through December 31, 2026

Item	***Description***	***Citywide Area***	***By Tile Area***
Digital Images:	Orthophotographs 1 foot resolution: (Mr. SID)	$300.00	Not Available
	100' scale .PDFs of Water and Sewer Facilities	$250.00	$6.00/map tile
Data Layers:	Personal Geodatabase	$150.00 Each Layer	$20.00
	AutoCAD DXF format: Water	$250.00	$5.00
	AutoCAD DXF format: Sewer	$250.00	$5.00
	AutoCAD DXF format: Landbase	$250.00	$5.00

(11) For replacement of frozen meters.

Size of Meter		***Replacement Fee***
5/8-inch		$410.00
1-inch		$525.00
1 ½ -inch		$900.00
2-inch		$1,085.00
3-inch or larger		Cost plus Materials

(12) Leak up to Owner (LUTO) & Lead Pipe Replacement associated for services on annual contract bid.

(13) The Commission requires that hydrants used for private fire protection be purchased from the Commission at cost.

(14) Industrial stormwater inspections are scheduled to be conducted bi-annually. The inspections are required by the Environmental Protection Agency (EPA) for the prevention of pollution to rivers, lakes, streams and oceans. This is an Industrial Facility Stormwater Pollution Program Inspection Fee Schedule:

Industrial Facility Type	***Initial Inspection***	***Bi Annual Inspection***	***Certificate of No Exposure Inspection***
Major Industry 1 acre or greater	$260.00	$225.00	$115.00
Minor Industry/Business Less than an acre	$150.00	$150.00	$75.00

(15) The Commission requires an as-built plan for each approved site plan. The as-built plans are to be submitted by the owner for all projects deemed complex by the Commission. All other as-built plans will be created by the Commission for a fee of $460.00 per site. The Commission will determine which site plans will require an as-built plan submitted by the owner or an as-built plan to be created by the Commission for $460.00.

Exhibit C
Special Fire Pipe Service Fees
(Internal Sprinklers and Standpipes)
Implemented January 1, 2026 and effective through December 31, 2026

Size of Pipe	***Daily Charge***
4-inch or smaller	$1.03
6-inch	$2.33
8-inch or larger	$4.15

Exhibit D
Late Payment Charges
Implemented January 1, 2026 and effective through December 31, 2026

A Late Payment Charge of 0.03836% per day (14% per annum) compounded with each billing on all amounts past due (greater than 30 days from the original bill posting/printing date).

Exhibit E
Discount for Elderly and Fully Disabled
Implemented January 1, 2026 and effective through December 31, 2026

A 30% discount on all water, sewer and stormwater charges billed. This discount is applicable only to qualified, owner-occupied residential structures with one to four dwelling units.

Exhibit F
Credit Program for Stormwater Charges
Implemented January 1, 2026 and effective through December 31, 2026

An up to 50% credit off of stormwater charges will be available to all customers. The proposed credit program recognizes property owners for taking actions on their property that reduce their demand on BWSC's stormwater system. The details and applications for the credit programs are available on our website. This credit will be applied to reduce billed stormwater charges after January 1, 2026.

Exhibit G
Fine for Failure to Allow Inspection of Premises
Implemented January 1, 2026 and effective through December 31, 2026

A fine will be charged to customers who refuse to allow Commission personnel permission to enter the premises to make inspections regarding the water or sewer system. Such inspections could be to resolve questions about meters, leaks up to owner, or cracked or broken sewer or drain laterals. The fee, which will be a 10% surcharge of the average daily use of the property, would apply only to properties to which the Commission is prohibited from terminating service, such as hospitals or nursing homes.

The Financial Planning Process

The Commission executes an annual financial planning process. This process adheres to established procedures in completing each phase of the Commission's comprehensive financial plan. These phases (Goal Setting, the CIP Budget Process, Direct Expense and CEB Development and Rate Setting) result in the determination of the level of expenses the Commission must allocate financial resources, along with the identification of the sources of funding. The primary source for funding the direct expenses for each fiscal year is customer water and sewer charges.

The Goal Setting Process

The Goal Setting Process commences in June each year. Over the past several years, the Commission has made considerable strides in reducing overall operating costs as well as dramatically improving the delivery of quality water and sewer services to its ratepayers. These accomplishments are the result of the Commission's ability to effectively utilize limited resources to maintain and improve the essential programs and activities of the Commission. The Commission meets the challenge of internal cost control and reduction through the Goal Setting Process. The annual Goal Setting Process promotes planning, provides performance criteria and encourages communication and coordination. The Goal Setting Process compels managers to anticipate future challenges, to be prepared to adapt to changing conditions, to determine weaknesses in their organizational structure and to identify courses of action to strengthen areas requiring improvement. Each program is expected to outline goals, which upon successful completion will reduce costs, gain operating efficiencies and ultimately increase the level of service to customers.

Division Chiefs and Department Managers submit preliminary goals and objectives to the Budgeting and Financial Planning Department staff ("Budget staff") for review. The goals are categorized as Monthly Management Report Goals, Goals included in the Commission-wide Report Status Update, Tactical Goals and Strategic Goals. Monthly Management Report Goals are those that carry out the core duties and responsibilities of an operating unit within the Commission for delivery of basic water and sewer services. Goals included in the Commission-wide Report Status Update are reports submitted by staff for internal distribution or as required by law or permit to be completed and submitted to any external agency. Tactical Goals are one-time improvements and/or enhancements to a technical or service-oriented process. Strategic Goals outline the long-range plans and direction of each division and department at the Commission. In each case, the Division Chiefs and Department Managers must declare goals and objectives which meet at least one of the following criteria: cost control, revenue enhancement, service improvement or environmental protection. After review by Budget staff, goals are forwarded to the Chief Financial Officer ("CFO") for review and comment. The final goals for the ensuing year are then reviewed and approved by the Executive Director.

The Capital Improvement Program Budget Setting Process

Under the Enabling Act and the General Bond Resolution, the Commission must annually prepare a three-year CIP. The CIP process, which also begins in June each year, outlines the improvements necessary to maintain and enhance the infrastructure. The overall objectives of the CIP are to ensure the adequate delivery of high quality potable water for consumption and fire protection and the efficient and environmentally sound collection of wastewater for transport and delivery to a treatment facility or for approved discharge. The projects included in the CIP are divided into four categories: water distribution system projects, sewer system projects, support projects and stormwater system projects. Commission staffs establish a time line for the design and construction phases of each project along with cash flow requirements based on engineering information and a priority ranking system. As a part of the CIP development process, the Commission solicits input from private and public entities regarding planned capital projects and any potential impact on the Commission's systems and/or CIP. Project information is then submitted to Budget staff for review and compilation into the annual CIP. The CIP is then forwarded to the CFO for review and comment, after which it is forwarded to the Executive Director for review and approval.

In accordance with the Enabling Act, the CIP must be delivered to the Mayor of the City of Boston on or before November 1. Prior to adoption of the CIP, the Enabling Act requires that the Commission hold a public hearing on its CIP for the purpose of allowing interested parties the opportunity to review and comment. After the public hearing, the Commission maintains a fifteen-day open comment period for the public to present views or arguments on the CIP. The Commission responds to these public comments and the final CIP is presented to the Board of Commissioners for adoption in December each year.

Direct Expense and Current Expense Budget Development Process

The process for the Direct Expense Budget and CEB Development begins in July. Initially, Division Chiefs and Department Managers submit requests for the funding necessary to fulfill the duties, responsibilities and new goals for the following fiscal year. Budget staff evaluates the requests in light of the current level of spending, historical spending patterns, availability of resources and the tactical and strategic goals declared by each department. Based on this analysis, Budget staff determines a recommended level of funding. This recommendation is then submitted to the CFO and Executive Director for review and modification before finalizing the Direct Expense Budget.

The Commission then determines the total level of expenditures, which will be required to operate and maintain the systems, provide basic services and fulfill all financial obligations for the next fiscal year. Staff considers all financial obligations such as the wholesale costs of water and sewer services paid to the MWRA (“MWRA Assessment”), the Direct Expenses as determined above, rate revenue funded costs of renewal and replacement of the water and sewer systems as included in the CIP, the Safe Drinking Water Act (“SDWA”) Assessment, total debt service expense on outstanding general revenue bonds (“Debt Service”) and required deposits to various reserve funds

which are stipulated by the General Bond Resolution ("Contractual Funding Obligations"). Once the level of these expenses is determined, the Commission must calculate the level of revenue required to meet these expenses and to meet the debt service coverage test that is covenanted in the Resolution.

The Rate Setting Process

The Rate Setting Process completes the final phase of the annual financial planning process by evaluating all the financial obligations of the Commission and determining the rate revenue requirement for the ensuing fiscal year. In accordance with legislative and policy mandates, the Commission adheres to an annual process in developing and setting the level of water, sewer and stormwater rates for a given year.

The Commission's Rate Setting Methodology incorporates the following four phases: Legislative/Policy Analysis; Water Demand Analysis; Financial Analysis and the Water and Sewer Rate Calculation. The result of this phase is the total projected level of expenses for the ensuing year, which is used to determine the rate revenue requirement for that year. In the rate calculation segment of this phase, the rate revenue requirement is allocated between water and sewer costs to derive a water revenue requirement and a sewer revenue requirement. The percent change in rates is determined by dividing the water and sewer rate revenue requirement by the estimated revenue from current water and sewer rates. The estimated percent changes are then applied to current water and sewer rates resulting in the calculation of new water and sewer rates. Stormwater rates are determined by dividing the total stormwater rate revenue requirement by the total number of ERUs and then divide by 12 months to determine the monthly rate per ERU. The estimated percent increases are then applied to current water and sewer rates resulting in the calculation of new water and sewer rates.

Projected 2025 Year End Position

The 2025 CEB identified $484.7 million in total expenses, matched by an equal amount of revenue. During 2025, the Commission experienced variances from the budgeted level of revenues and expenditures.

Table 1, below, outlines the 2025 budgeted levels and the projected 2025 year-end actual levels for each category of revenue and expense included in the CEB. Expenditure variances by category are as follows:

Table 1
Projected 2025 Budget vs. Actual Expenditures

	2025 BUDGET	UNAUDITED 2025 PROJECTED	VARIANCE
REVENUES			
Water, Sewer & Stormwater Revenues	$478,390,026	$488,481,963	10,091,937
Less: Adjustments	(14,351,701)	(11,998,909)	2,352,792
Discounts	(4,783,900)	(3,826,243)	957,657
Bad Debt	(478,390)	(18,194)	460,196
Net Operating Revenue	$458,776,035	$472,638,617	$13,862,582
Other Income			
Prior Year Surplus	2,434,589	2,464,626	30,037
Miscellaneous Income	15,894,628	16,798,940	904,312
Investment Income	7,566,960	10,447,053	2,880,093
TOTAL REVENUES	$484,672,212	$502,349,236	$17,677,024
EXPENSES			
Direct Operating Expenses	$107,631,042	$110,646,938	($3,015,896)
Nonoperating Expenses			
MWRA	264,259,121	262,406,505	1,852,616
Renewal & Replacement	44,320,000	46,248,384	(1,928,384)
Debt Service	57,094,687	56,092,235	1,002,452
Contractual Funding Obligations	11,158,239	24,334,505	(13,176,266)
SDWA Assessment	209,123	209,123	0
TOTAL EXPENSES	$484,672,212	$499,937,690	($15,265,478)
Surplus	$0	$2,411,546	$2,411,546

MWRA Assessment

The 2025 CEB included funding for MWRA Assessments of $264.3 million. Since the MWRA fiscal year begins July 1, the level of the MWRA expense, which the Commission must budget, is based on MWRA rates for two different fiscal years. The Commission's 2025 rates were finalized in December of 2024. The budgeted number of $264.3 million consisted of an actual rate increase from the MWRA's FY25 of 4.1% and its projection for FY26 rates to increase by 3.3%.

The actual rate change promulgated from the MWRA for FY26 to the Commission was an increase of 1.9% The Commission projects expenses to equal $262.4 million, $1.9 or 0.7% less than budgeted.

Direct Expenses

Direct Expenses are those expenses which are directly associated with the activities of providing water and sewer services to the Commission’s customers. Direct Expenses include: Wages and Salaries, Labor Related Costs/Benefits, Supplies and Materials, Repair and Maintenance, Insurance, Inventory and Capital Outlay.

The 2025 Direct Expense Budget totaled $107.6 million. During 2025, the Commission projects expenses to equal $110.6 million, $3.0 million, or 2.8% higher than budget.

Capital Improvements

Capital Improvements represent the costs associated with the rate revenue funded portion of projects undertaken in the annual Capital Improvement Program. The 2025 budget included $44.3 million for Renewal and Replacement based on the project detail outlined in the 2025-2027 CIP. Projected 2025 rate basis R&R spending is anticipated to be $46.2 million.

Debt Service

Debt Service payments for 2025 were budgeted at $57.1 million, based on principal and interest payments due on $521.5 million in General Revenue Bonds outstanding at the end of 2024, as well as debt service relating to the MWRA Programs. Actual Debt Service expenses for 2025 are projected to be $56.1 million.

Contractual Funding Obligations

The Commission maintains several reserve funds, including an Operating Reserve Fund, a Renewal and Replacement Reserve Fund, an Insurance Reserve Fund and a Rate Stabilization Fund. The Commission is annually required to maintain a balance in the Operating Reserve Fund an amount equal to one-sixth of the Commission's operating and maintenance expenses and the accrued MWRA Assessments for that year.

The 2025 budget included $11.2 million in deposits to the Reserve Fund. The Commission made $24.3 million in deposits to Contractual Funding Obligations.

Rate Stabilization Fund

The Rate Stabilization Fund, as established in the Resolution, is to be used to minimize the rate impact of extraordinary cost increases such as large increases in the MWRA Assessments to the Commission or significant increases in interest rates on the Commission's variable rate debt. The Stabilization Fund Requirement is defined in the Resolution as an amount equal to four percent (4.0%) of the aggregate principal amount of Outstanding Variable Rate Bonds (referred to as the "Stabilization Fund Resolution Requirement"). The Resolution also provides discretion to the Commission to make additional deposits to the Stabilization Fund and to withdraw amounts as needed to fund Commission expenses.

Current Commission policy, amended in April 2025, further states that the amount on deposit in the Stabilization Fund shall equal the greater of the Rate Stabilization Fund Resolution Requirement or 10% of the previous fiscal year's net-billed charges. If, at the start of the fiscal year, the balance of the Rate Stabilization Fund is projected to exceed such requirements, then the Commission, on the last business day of the current fiscal year, may transfer to the Revenue Fund an amount up to the greater of 50% of such excess or $50 million, but in either case, an amount not to exceed $50 million in any one fiscal year..

The Commission has been aggressive in managing the funding and utilization of the Rate Stabilization Fund to have the greatest impact on future rate mitigation. An amendment to the policy ensures that funds are withdrawn at a sensible pace that mitigates sharp ratepayer increases. This amendment also permits the availability of the surplus balance for future fiscal years.

Rate Setting Methodology

The Commission is guided in its Rate Setting Process by legislative mandates, Commission policy directives, financial requirements and generally accepted rate making principles. Each area is carefully examined as part of the Commission's Rate Setting Methodology. This section describes the process used annually to develop the Commission's water, sewer and stormwater rates for the following year.

The methodology used annually to develop the level of rates for the following year includes the following four steps.

1) Legislative/Policy Analysis - This step consists of a review of relevant legislation affecting the Commission's rate setting process and all Commission policy directives relating to the establishment of rates. Specific legislation includes the Commission's Enabling Act and the MWRA's Enabling Act. A review of pertinent policy includes examining the current rate structure used by the Commission. This step ensures that both the process and the resulting rates conform to the legal and policy directives governing the Commission.

2) Water Demand Analysis - Next, staff must estimate the quantity of water to be consumed by the Commission's customers in the following year. The demand for water is affected by several factors including user population, weather, price and economic activity and water conservation efforts.

3) Financial Analysis - This step involves detailed financial analysis including projections of the financial position of the Commission at year-end and forecasts of the level of revenues and expenses for the following year. This analysis is required for the calculation of the "net rate revenue requirement" for a given year which dictates the level at which rates must be set.

4) Water, Sewer and Stormwater Rate Calculation - Staff develops the water and sewer rate schedule for a given year, guided by the findings of the Legislative/Policy Review and utilizing the information derived from the Water Demand Analysis and the Financial Analysis. Stormwater rates are determined by dividing the total stormwater rate revenue requirement by the total number of ERUs and then divide by 12 months to determine the monthly rate per ERU. The estimated percent increases are then applied to current water and sewer rates resulting in the calculation of new water and sewer rates.

Legislative/Policy Analysis

Water, sewer and stormwater rate development includes a review of pertinent legislation, Commission policy and the rate covenants of the Commission's General Revenue Bond Resolution. This review establishes the framework and guidelines for setting rates. The primary sections of legislation governing the Commission's rates are the Commission's Enabling Act and the legislation establishing the MWRA.

Under the Commission's Enabling Act, the Commission has the authority to independently set rates and charges. These rates must be set at a level to provide revenues at least sufficient to pay all current expenses, debt service, any reserve requirements, renewals and replacements of the water and sewer systems and any and all other amounts that the Commission may be obligated to pay by law or contract. Other provisions of the Enabling Act include:

- A mandate to bill all users for water and sewer service, except for public firefighting.
- A provision for a discount on water service to elderly and disabled customers.
- A requirement to conduct a public hearing prior to implementing new rates.
- A prohibition on the use of a volume discount rate structure.
- A requirement that any surplus generated from fiscal operations be either applied to offset rates in the succeeding year (which the Commission has done since its inception) or turned over to the City of Boston.

The MWRA Enabling Act granted the Commission the authority to change from the flat rate structure authorized by the Commission's Enabling Act to an inclining block rate structure. The inclining block rate structure provides conservation incentives by charging more per unit as consumption increases. On August 1, 1985, the Commission adopted an inclining block rate structure composed of ten tiers and continued the use of this rate structure until a new rate structure was implemented in 2006, which condensed the previous ten block structure into the current six block structure.

Finally, the Commission has covenanted under its Resolution to maintain fees and charges in each fiscal year at levels sufficient to provide net revenues on a cash basis at least equal to 125% of the debt service to be paid during that fiscal year. The Resolution also establishes a Rate Stabilization Fund to be used to mitigate the impacts of extraordinary rate increases.

Water Demand Analysis

The next step in developing the rates is to forecast the amount of water that will be consumed by the Commission's customers. The demand for water is affected by the size and composition of the user population, weather, price, economic activity and water conservation efforts.

User Population

The Commission serves a mixed population of residential, commercial and tax-exempt institutional customers. It is estimated that the population of 673,000 increases each day to approximately 1.2 million through the addition of workers, shoppers, commuting students, overnight guests in hotels and homes, tourists, convention, trade show and sporting event attendees and hospitals patients and visitors.

Weather

Weather plays a role in the variations of water demand from year to year. During a hot, dry year, water demand is greater than that occurring during a cool, wet year. During hot summers, seasonal increase in water usage may be due to increased lawn watering by the residential population and continuous usage of cooling towers and air conditioning systems by the commercial/industrial user population. The Commission minimizes the impact of weather conditions on water demand forecasting by anticipating a historic "normal" weather year. Variations in the weather pattern over the course of the year may result in slight variations from the projected level of consumption.

Price and Economic Activity

Price and Economic Activity are interrelated components of demand and exert varying degrees of impact on consumption in each of the customer classes. Price affects residential water use patterns. Economic activity, on the other hand, affects commercial and industrial class water use patterns.

The potential effects of price and economic activity on the level of water sales have become evident as water and sewer rates have increased. The retail water sales have decreased approximately 36.2%, from a level of 81.3 MGD in 1985, to the projected 2025 year-end level of approximately 51.87 MGD. (During the same time period, the Commission's water purchases from the MWRA have declined more rapidly resulting in a decline in unbilled water.) While total retail sales have declined, sales among customer classes, i.e. retail, commercial and industrial, have remained relatively stable as a percentage of total sales.

This long-run decline in sales is mainly attributable to increased conservation efforts on the part of all customers as a result of previous rate increases and the rise in the general level of conservation. As more media attention was placed on water and sewer rate increases in general, a heightened awareness of conservation issues continued to dominate the residential segment, thus reducing their demand for water. For the non-residential segment, price is less of a factor since water and sewer charges typically represent only a small percentage of total operating expenses. For these users, reductions in consumption patterns are evident as a result of the impact of the economy. Increases in office space and hotel vacancies and slowdowns in production, which typically occur in times of recession, have considerable impact on the level of consumption. The most recent data, as of the third quarter of 2025, shows that Boston is experiencing an Office Vacancy Rate of 23.6%. The Hotel Vacancy Rate is at 22.8% as of the end of 2024.

Water Conservation

The Commission has also placed a heightened priority on water conservation, which is especially important due to the nature of older water systems such as Boston's. The system inherited by the Commission experienced large water losses through leaks. In 1977, only 52.0% of the wholesale water purchased was actually sold to retail customers. In an effort to improve this situation, the Commission undertook, and continues to undertake, leak detection, system repairs and metering replacement programs. Together these efforts are designed to reduce the amount of water purchased from the MWRA and increase billed consumption in order to reduce costs to the ratepayers. The success of these efforts has led to a significant reduction in unbilled-for water.

Wholesale water purchases have declined from 146.1 MGD in 1977 to approximately 61.9 MGD in 2025 a decrease of 57.6%. At the same time, the level of water billed to retail customers has increased from 52.0% in 1977 to approximately 84.1% in 2025. The remaining portion of unbilled water, the difference between the wholesale purchases and retail sales, is due to unbilled public usage such as firefighting, meter slippage, temporary by-pass lines due to pipe reconstruction and unavoidable leakage.

Water Demand Forecast

For 2026, the Commission is projecting sales to remain at 51.33 MGD when compared to 2025 budgeted sales of 51.33 MGD. This represents no change from the 2025 budgeted sales.

A review of five-year historic usage patterns for the different customer classes reveals a slight overall decreasing trend for water sales. Each of the factors described above exert different pressures on the level of sales.

Financial Analysis

The next phase of the Rate Setting Process is the Financial Analysis phase. In order to determine the level of water and sewer rates for a given year, the Commission must first determine what the "Rate Revenue Requirement" will be for that year. The determination of the Rate Revenue Requirement involves the projection of the level of Direct and Indirect Expenses for the ensuing year. The Commission carefully reviews each line item of the CEB to develop the overall level of expenses. In addition, the Commission must project the total level of Adjustments to Revenue, which will result from Billing Adjustments, Elderly and Disabled Discounts, and any allowance for Bad Debt.

Next, the Commission estimates the level of "non-rate" revenue, which is derived from Special Service Fees, Investment Income, Late Payment Charges, Fire Pipe Charges, Prior Year Net Operating Income, if any, and any other Miscellaneous Income. The amount of "non-rate" revenue is applied to the level of expenses plus the level of Adjustments to Revenue and the resulting shortfall is the Rate Revenue Requirement for that year. The Rate Revenue Requirement is then allocated to water, sewer and stormwater rates, proportionately based on the level of expenses attributable to the operations of water distribution, wastewater collection and transport systems and stormwater drainage and infiltration systems. The calculation of the Rate Revenue Requirement is outlined in Exhibit H.

Exhibit H
Calculation of the Rate Revenue Requirement

MWRA Assessments	$	268,942,451
SDWA Assessment	$	214,109
Contractual Funding Obligations	$	17,465,768
Direct Expenses	$	108,398,988
Capital Costs:		
Debt Service	$	57,706,635
Renewal and Replacement	$	48,319,998
Plus		
Revenue Adjustments		
Billing Adjustments	$	14,807,452
Elderly and Fully Disabled Discounts	$	4,935,817
Bad Debt Allowance	$	493,582
Less		
Other Revenues		
Investment Income	$	(8,882,031)
Special Service Fees	$	(7,544,501)
Late Payment Charges	$	(2,467,909)
Fire Pipe Service Fees	$	(6,397,071)
Prior Period Surplus/Deficit	$	(2,411,546)
Equals		
Rate Revenue Requirement	$	493,581,742

Water, Sewer and Stormwater Allocation of Costs

The Commission classifies each CEB line item as water-related, sewer-related, stormwater-related or a proportional amount attributable to all three. Many costs are clearly distinguishable as either a water service, sewer or stormwater service cost. MWRA (Water and Sewer Assessments), and Debt Service classifications are made according to the applied purpose of the bond, which generated the payment. R&R expense is allocated appropriately to the water, sewer and stormwater capital projects as outlined in the CIP. This classification enables the Commission to properly allocate total expenses. Table 2 below shows the water, sewer and stormwater cost classifications. Since some administrative and other indirect costs do not fall neatly into water, sewer or stormwater cost category, the Commission allocates these costs based upon the proportion of direct costs attributable to water, sewer and stormwater services.

Table 2
2026 Classification of Water, Sewer and Stormwater Costs
For Rates Effective January 1, 2026 to December 31, 2026

	Water	*Sewer*	*Stormwater*	*Total*
Billed Charges	$213,235,710	$256,144,186	$24,201,846	493,581,742
Adjustments	(1,480,745)	(12,586,334)	(740,373)	(14,807,452)
Discounts	(2,122,401)	(2,566,625)	(246,791)	(4,935,817)
Bad Debt	(212,240)	(256,663)	(24,679)	(493,582)
Prior Year Surplus	1,041,829	1,251,472	118,246	2,411,546
Fire Pipe	6,397,071	0	0	6,397,071
Late Payment	1,066,179	1,280,721	121,009	2,467,909
Miscellaneous Income	3,259,353	3,915,218	369,930	7,544,501
Investment Income	3,837,189	4,609,329	435,514	8,882,031
Total	$225,021,943	$251,791,304	$24,234,702	$501,047,948
Direct Expenses	$48,237,550	$43,359,595	$16,801,843	108,398,988
MWRA Assessment	115,002,520	153,939,932	0	268,942,452
Renewal & Replacement	26,096,987	17,414,650	4,808,360	48,319,997
Debt Service	28,291,087	28,480,661	934,886	57,706,634
Contractual Funding Obligation	7,510,280	9,082,199	873,288	17,465,768
SDWA Assessment	214,109	0	0	214,109
Total	$225,352,533	$252,277,038	$23,418,378	$501,047,948

Water, Sewer and Stormwater Rate Revenue Calculation

A Rate calculation can be performed once the Rate Revenue Requirement has been determined and apportioned. To determine if an increase in water and sewer rates is necessary, the water and sewer rate revenue requirements are divided by the estimated revenues from the current water and sewer rates. The estimated revenues are derived by calculating projected total consumption at each of the six tiers in the rate structure. The total revenue calculated from all six tiers is then compared with the Rate Revenue Requirement. If the total revenues generated at this consumption level are deficient to meet the revenue requirement, the appropriate rate increase is calculated and applied evenly to all six tiers of the rate structure until the resulting forecasted revenue equal the net revenue requirement. The estimated percent increases are then applied to current water and sewer rates resulting in the calculation of new water and sewer rates. Stormwater rates are determined by dividing the total stormwater rate revenue requirement by the total number of ERUs and then divide by 12 months to determine the monthly rate per ERU.

Exhibits I, J & K on the following pages, show the revenue expected by each tier block for water and sewer services, along with the revenue expected by class type for stormwater services from January 1, 2026 to December 31, 2026. The Commission has determined that the revenue generated based on the projected level of sales, with the 2026 Rates in place, is sufficient to meet all current expenses for 2026.

Exhibit I
2026 Revenue Analysis for Water Rates

Cubic Feet Per Day Usage Block	Estimated Billed Usage (Cubic Feet)	Estimated Billed Usage (Gallons)	Percent of Billed Usage	Water Rate ($/1000 CF)	Estimated Revenue Per Block
0-19	551,581,592	4,125,830,306	18.16%	$ 70.19	$38,717,369
20-39	297,916,201	2,228,413,187	10.47%	$ 74.96	$22,332,777
40-89	280,396,052	2,097,362,472	10.75%	$ 81.75	$22,923,288
90-349	421,768,519	3,154,828,519	17.23%	$ 87.14	$36,751,093
350-1299	445,653,348	3,333,487,045	19.17%	$ 91.71	$40,870,923
Over 1299	540,868,626	4,045,697,326	24.22%	$ 95.48	$51,640,261

Exhibit J
2026 Revenue Analysis for Sewer Rates

Cubic Feet Per Day Usage Block	Estimated Billed Usage (Cubic Feet)	Estimated Billed Usage (Gallons)	Percent of Billed Usage	Sewer Rate ($/1000 CF)	Estimated Revenue Per Block
0-19	641,752,421	4,800,308,106	16.71%	$ 66.68	$42,789,988
20-39	328,028,239	2,453,651,230	9.97%	$ 77.87	$25,543,178
40-89	287,343,936	2,149,332,639	10.80%	$ 96.24	$27,652,912
90-349	419,009,795	3,134,193,265	17.62%	$ 107.69	$45,123,098
350-1299	432,491,811	3,235,038,750	19.79%	$ 117.20	$50,687,411
Over 1299	510,586,571	3,819,187,548	25.12%	$ 126.03	$64,347,600

Exhibit K
2026 Revenue Analysis for Stormwater Rates

Bill Class	Monthly Billed ERUs	Stormwater Fee	Annual Estimated Revenue Per Class
SRP	63,367	$9.06	$6,889,260
NSRP	159,240	$9.06	$17,312,586

2026 Revenue Water Rates	$213.235.710
2026 Revenue Sewer Rates	$256,144,186
2026 Revenue Stormwater Fee	$ 24,201,846
2026 Total Revenue	**$493,581,742**

Background

Water and sewer services to consumers in Boston were previously provided by the DPW. Although consumers were charged for these services, rates did not supply full cost recovery of providing these services. The cost of providing water and sewer services was included in the City budget and rates were subsidized by property taxes. During the period of 1960 to 1977, sewer rates were never increased, and water rates were increased only three times. The physical condition and financial situation were greatly deteriorated, with the system experiencing an unbilled-for water rate of 48% in 1977. The Commission was created in 1977 with passage of the Enabling Act, specifically to maintain and improve the water and sewer systems, with the ability to do so predicated on full cost recovery.

In addition to full cost recovery, the Commission was required by the Enabling Act to use a flat rate structure (a fixed unit cost regardless of consumption) after December 31, 1977 and to provide a discount to elderly and fully disabled customers. The flat rate structure was adopted by the Commission in 1978. Prior to that time declining rates (unit costs decreased as consumption rose) were permitted. The elderly and disabled discount for qualified homeowners was implemented in 1978 at a 10% discount on the water portion of the bill. In 1979, this discount was increased to 15%, to 25% in 1988 and to the present level of 30% in 2015. In 2021, this discount was changed to provide a 30% discount on both the water and sewer portions of the bill. In 2024, this discount was changed to provide a 30% discount on the water, sewer and stormwater portions of the bill.

MWRA Background

The MWRA was created by Chapter 372 of the Acts of 1984 of the Commonwealth, as amended ("the MWRA Act") as a body politic and corporate and public instrumentality of the Commonwealth on December 19, 1984. Effective July 1, 1985 the ownership, possession and control of all personal comprising the MDC water and sewer systems were transferred to the MWRA. It was recognized at the time that the MDC was unable to effectively manage the collection, treatment and disposal of sewage in the metropolitan Boston area. The MWRA has several main objectives. One Objective is to construct and maintain sewage treatment facilities, which ensure that the MWRA sewer system's wastewater discharges to Boston Harbor meet federal and state pollution control requirements. Another objective is to maintain, operate and improve an adequate water supply distribution system and provide water in conformance with all applicable state and federal regulations. Furthermore, the MWRA establishes programs for leak detection and reduction of I/I within the service areas of the MWRA as well as repair, replace, rehabilitate and extend the MWRA waterworks system and the MWRA sewer system (collectively, the "MWRA Systems"). The MWRA provides professional management, system-wide planning and establishes and administers charges on a basis which will foster the conservation of water and improve the quality of the environment. The MWRA finances the capital and operating expenses arising from its operations on a self-sustaining basis.

BWSC/MWRA Rate History

In 1985, the Commission undertook a comprehensive review of its rate policies to determine what, if any, changes were necessary and prudent. The Commission studied the impact of the existing flat rate structure in light of its conservation policies and practices and other alternative rate structures that had been authorized for use by the MWRA's enabling legislation. The results of this review indicated that an economic incentive was needed to promote water conservation efforts among its customers, and therefore the use of an inclining block rate structure was adopted in August 1985.

The Commission obtains its water supply and sewer treatment services from the MWRA. The MWRA is authorized to provide water services to 55 cities, towns and special purpose entities and wastewater treatment to 43 cities, towns and special purpose entities located throughout central and eastern Massachusetts. Since the MWRA Assessment is the largest single expense of the Commission on an annual basis, increases in MWRA rates have a significant impact on the level at which the Commission's rates must be set.

The MWRA was empowered to establish charges for its services and commodities without supervision by other agencies or governmental bodies and to collect it. One of the basic goals achieved by the MWRA Act was the substitution of assessments, or user fees, to the member communities for the prior tax-based system of charges.

The Commission is the MWRA's largest single customer. For the MWRA fiscal year 2026, the Commission will be assessed 34.9% of the water system charges and 27.4% of the sewer system charges. On a combined basis, the Commission will pay 30.1% of the total MWRA assessments.

Assessments for water services are calculated by the MWRA based on the metered water use in the calendar year immediately preceding the MWRA fiscal year. The Commission's water charges for MWRA fiscal year 2026 total $112,816,245 based on the Commission's calendar year 2024 metered water use.

Sewer Assessments allocate operating and maintenance costs based on total metered annual flow and total annual average strength, seepage contributions and high strength flow loads. Septage contributions are allocated based on volume, total suspended solids ("TSS") and biochemical oxygen demand ("BOD") loadings. High strength flow loads are generated by those permitted entities whose flows exceed 25,000 gallons per day and whose TSS and/or BOD concentrations exceed 400 milligrams per liter.

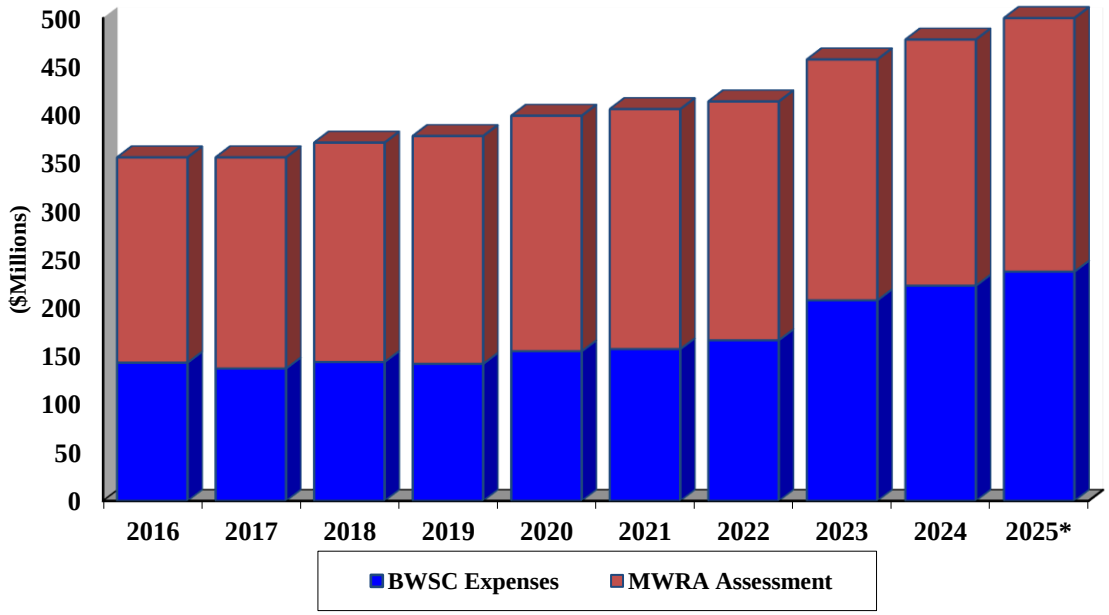
Capital or debt service costs are allocated as follows: two-eighths based upon the average of the prior three calendar year's peak month flow (with adjustments for strength of flow); three-eighths based upon contributing (sewered) population; and three-eighths based on census population.

The Commission's sewer assessment for fiscal year 2026 is $152,091,678. Total assessments for water and sewer charges for MWRA fiscal year 2026 are $264,907,923. The history of the MWRA Assessments to the Commission as a percentage of total Commission operating expenses is depicted in Graph 1, on page 39.

Since the inception of the MWRA in 1985, the MWRA Assessment has grown from 38.0% of total expenses to a projected level of 53.7% in 2026. The most current projections available indicate that in 2030 the MWRA Assessment will represent 55.8% of the Commission's total expenses.

Exhibit L on pages 40 and 41 presents the history of water and sewer rates for the City of Boston from 1977 to 2025. In each year since its inception, the rates established by the Commission have been based on recovering the full projected costs of operating, maintaining and improving the water and sewer systems. As is evident from Exhibit L, retail water rates actually decreased during the period from 1977 through 1983 from a level of $1.02 per thousand gallons purchased, to a level of $1.00 per thousand gallons purchased. During this same period, retail sewer rates increased from $0.13 per thousand gallons to $0.73 per thousand gallons. Rates did not increase from 1994-2001 due to effective management control of expenditures as well as a steady flow of revenues. However, the Commission experienced increasing financial obligations and decrease in revenues due to drop in consumption in 2001 through 2003. As a result, rates increased by 8.9% in 2002 & 2003. Due to the cut of the state debt service assistance program and mid-year special assessment from the MWRA, the Commission increased rates by 3.9% effective April 1, 2003. There was a rate increase of 5.8% in 2004, which remained in place for 2005. The 2006 rates represented an average 9.85% increase after conversion to the six-block inclining rate structure. The 2007 rates represented an average increase of 9.25%. The 2008 rates represented an average increase of 5.6%. The 2009 rates represented an average increase of 3.48%. The 2010 rates represented an average increase of 3.95%. The 2011 rates represented an average increase of 2.9%. The 2012 rates represented an average increase of 6.25%. The 2013 rates represented an average increase of 3.9%. The 2014 rates represented an average increase of 4.8%. The 2015 rates represented an average increase of 5.05%. The 2016 rates represented an average increase of 3.0%. The 2017 rates represented an average increase of 2.4%. The 2018 rates represented an average increase of 4.75%. The 2019 rates represented an average increase of 2.85%. The 2020 rates represented an average increase of 7.9%. The 2021 rates represented an average increase of 8.9%. The rates for 2022 represent an average increase of 4.5%. The rates for 2023 represent an average increase of 1.5%. The rates for 2024 represent an average increase of 1.4%. The rates for 2025 represent an average increase of 3.4%. The rates for 2026 represent an average increase of 1.5%.

Graph 1
MWRA Assessment v. BWSC Expenses
2016-2025



*Projected

Exhibit L
Rate History
(Per 1,000 Gallons)

	Water Rate	Sewer Rate	Combined Rate	% Change from Prior Year
1977(1)	$1.02	$0.13	$1.16	0.00%
1978	$1.19	$0.53	$1.72	48.60%
1979	$1.01	$0.48	$1.49	-13.40%
1980	$1.01	$0.54	$1.55	4.00%
1981	$1.01	$0.54	$1.55	0.00%
1982	$1.01	$0.66	$1.67	7.70%
1983	$1.00	$0.73	$1.73	3.70%
1984	$1.02	$0.84	$1.86	7.50%
1985(2)	$1.03	$0.96	$1.99	7.00%
1986(2)	$1.16	$1.27	$2.43	21.90%
1987(2)	$1.19	$1.42	$2.61	7.50%
1988(2)	$1.65	$1.68	$3.33	27.80%
1989(2)	$1.99	$2.28	$4.27	28.00%
1990(2)	$2.03	$2.64	$4.68	9.60%
1991(2)	$2.26	$3.14	$5.40	15.50%
1992(2)	$2.59	$4.14	$6.73	24.50%
1993(2)	$2.69	$4.80	$7.49	11.30%
1994-2001	$2.69	$4.80	$7.49	0.00%
2002	$3.35	$4.80	$8.15	8.90%
2003	$3.78	$5.10	$8.88	8.90%
2003	$3.80	$5.43	$9.23	3.90%
2004	$4.12	$5.73	$9.85	5.80%
2005	$4.12	$5.73	$9.85	0.00%
2006(3)	$4.94	$5.91	$10.85	9.85%
2007	$5.26	$6.62	$11.88	9.25%
2008	$5.55	$6.98	$12.53	5.60%
2009	$5.74	$7.22	$12.96	3.48%
2010	$5.97	$7.50	$13.47	3.95%
2011	$6.14	$7.72	$13.86	2.90%
2012	$6.53	$8.20	$14.73	6.25%
2013	$6.78	$8.52	$15.30	3.90%
2014	$7.12	$8.96	$16.08	4.80%
2015	$7.46	$9.38	$16.84	5.05%
2016	$7.46	$9.89	$17.35	3.00%
2017	$7.50	$10.27	$17.77	2.40%
2018	$7.84	$10.77	$18.61	4.75%
2019	$8.11	$11.03	$19.14	2.85%
2020	$8.65	$12.16	$20.81	7.90%
2021	$9.52	$13.02	$22.54	8.90%
2022	$9.52	$14.03	$23.55	4.50%
2023	$9.89	$14.41	$24.30	1.50%

Exhibit L (Continued)
Rate History
(Per 1,000 Gallons)

	Water Rate	Sewer Rate	Combined Rate	% Change from Prior Year
2024	$10.06	$14.32	$24.38	1.40%
2024(4)	$10.06	$13.06	$23.13	N/A
2025	$10.98	$13.37	$24.35	3.40%
2026	$11.38	$13.79	$25.16	1.50%

(1) Water and sewer rates were established by the City prior to the creation of the Boston Water and Sewer Commission in 1977.
(2) Due to the shift to the inclining block rate structure in 1985, the water and sewer rates shown since then represent simple averages.
(3) Percent increase is calculated as the change after conversion to a six-block inclining rate structure. Because of the different number of blocks, the simple average is not directly comparable to previous years.
(4) Water and sewer rate revenues increased by a combined 0.0%. Water increased by 0.00% and sewer decreased 9.13%. This change is effective April 1, 2024.

In an effort to mitigate the impact of increasing water and sewer rates, the Commission began an aggressive program to update and improve the water system in 1978. The program included replacing old, inefficient water mains and aggressive leak detection and repair. These efforts, which continue today, combined with the inclining rate structure, have had the net effect of reducing the overall level of water purchased by the Commission from 146.1 MGD in 1977 to the present level of 61.9 MGD in 2025. In addition to reducing the level of water purchases from the MWRA, the Commission continues to pursue increasing billable consumption through its ongoing meter replacement and meter downsizing programs. All these efforts have combined to reduce the level of unbilled-for water from 26.2% in 1993 to approximately 10.64% in 2025. Graph 2, on page 43, illustrates the success that the Commission has realized in reducing purchases, maximizing billings and reducing unbilled-for water, the result of which is a reduced level of rate increases, which must be passed on to its ratepayers.

BWSC/MWRA Rate Projections

As part of the annual financial planning process, the Commission establishes water and sewer rates for the next fiscal year and forecasts the combined rate increases for the ensuing four years. In compiling these projections, the Commission must estimate the level of expenditures required in each of the following four years to operate and maintain the systems, provide basic services and meet all its financial obligations. The major expenses, which must be estimated annually, include Direct Operating Expenses, the MWRA Assessment, Capital Improvement, the Safe Drinking Water Act Assessment, Debt Service, and Contractual Funding Obligations. In addition, estimates of water demand, based on recent actual trends, are made to calculate water and sewer rate revenue. Since the MWRA Assessment is the largest single expense in the CEB, the annual increase in the assessment has a substantial impact on the rate projections of the Commission. As a result of the federally mandated cleanup of Boston Harbor, the MWRA has been required to undertake the construction of new primary and secondary wastewater treatment facilities at Deer Island, an inter-island tunnel connecting Deer Island and Nut Island, a 9-mile effluent outfall tunnel and a sewerage residuals management facility. Beginning in MWRA FY1998, waterworks system improvements mandated by the Safe Drinking Water Act and Surface Water Treatment Rule added significantly to MWRA rate revenue requirements. These extensive capital projects and the operation and maintenance of the regional water distribution and wastewater collection systems, have caused the MWRA's funding requirements to increase significantly. Consequently, rate increases are likely to continue while these projects are underway and become implemented. Again, in developing future rate projections, the Commission utilizes the most current rate projections, which have been issued by the MWRA. These MWRA projections listed below are based on the MWRA fiscal year, which began on July 1, 2025.

Projected MWRA Assessments

2027	3.0%
2028	3.1%
2029	3.1%
2030	3.1%

Boston Water and Sewer Commission rate projections for the years 2027-2030 are outlined below. These future rate projections of the Commission are based on the best data available during the 2026 Financial Planning Process.

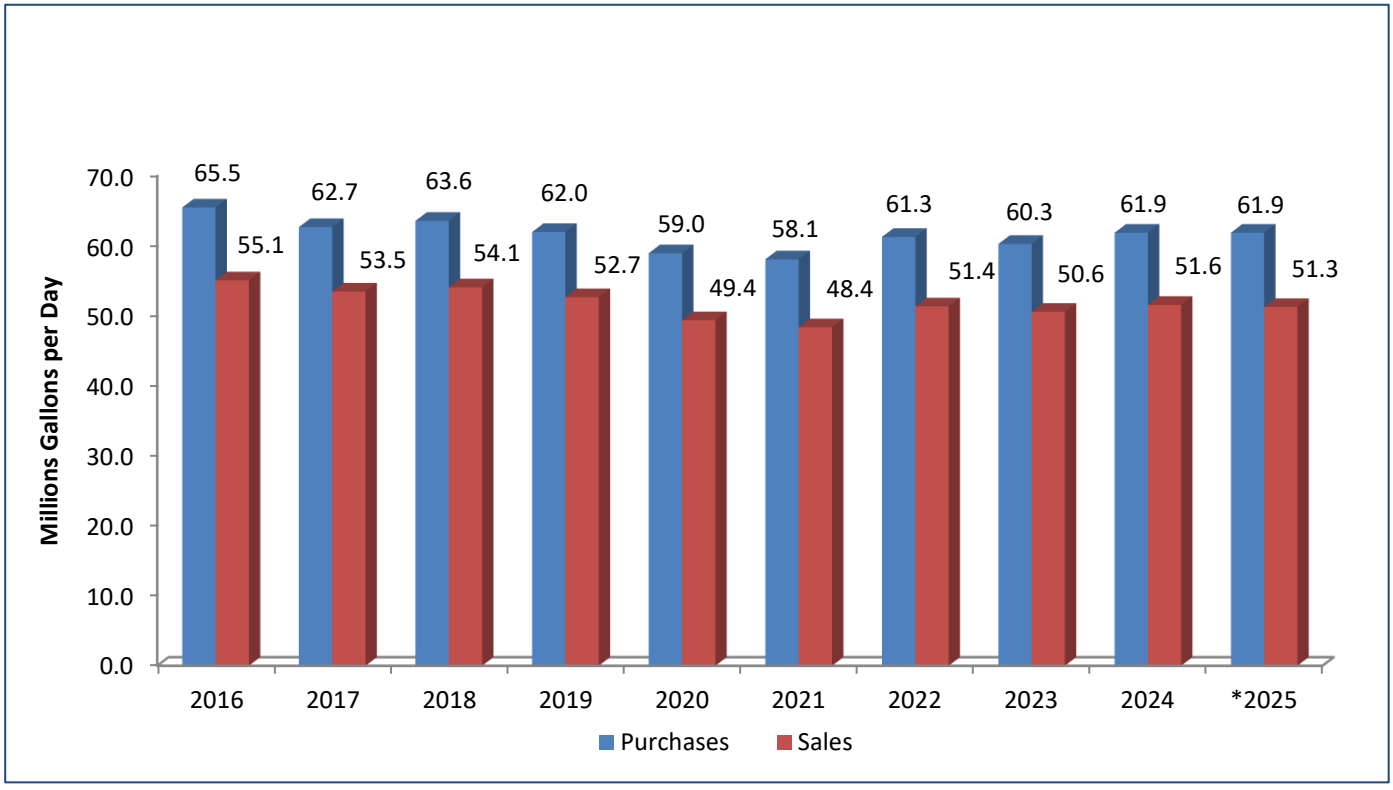
Projected Water and Sewer Rate Revenue Increases

2027	2.90%
2028	2.90%
2029	2.95%
2030	2.95%

The Commission continues to be aggressive in attempting to secure federal and state rate relief funding and to control direct expenses through managerial improvements and increased efficiencies. These efforts will contribute to minimizing the level of required future rate increases. Table 4 on page 44 illustrates the Commission's pro forma financial projections for the years 2025 to 2030. This table details the estimated revenues and expenses for the period and the corresponding rate increases required allowing the Commission to meet all its financial obligations.

Graph 2

Water Purchased v. Water Sold, 2016-2025



*Projected

Table 4
Five Year Financial Pro Forma ($000)

	Unaudited *2025*	*2026*	*2027*	*2028*	*2029*	*2030*
REVENUES						
Water	$208,845	$213,236	$217,225	$221,290	$226,679	$232,199
Sewer	$254,055	$256,144	$260,937	$265,819	$272,292	$278,923
Stormwater	$25,582	$24,202	$24,904	$25,626	$26,382	$27,160
LESS:						
Adjustments	($11,999)	($14,807)	($15,092)	($15,382)	($15,761)	($16,148)
Discounts	($3,826)	($4,936)	($5,031)	($5,127)	($5,254)	($5,383)
Bad Debt	($18)	($494)	($503)	($513)	($525)	($538)
NET BILLED CHARGES	472,639	473,345	482,440	491,712	503,813	516,212
Prior Year Surplus	$2,465	$2,412	$0	$0	$0	$0
Late Charges	$2,599	$2,468	$2,515	$2,564	$2,627	$2,691
Fire Pipe	$6,059	$6,397	$6,517	$6,639	$6,800	$6,966
Investment Earnings	$10,447	$8,882	$9,280	$9,527	$9,736	$9,797
Other Income	$8,141	$7,545	$7,771	$8,004	$8,244	$8,491
SUBTOTAL	29,711	27,703	26,083	26,733	27,407	27,946
TOTAL REVENUE	$502,349	$501,048	$508,523	$518,445	$531,220	$544,158
EXPENSES						
Operating	$110,647	$108,399	$111,507	$114,708	$118,005	$121,402
MWRA Assessment	$262,407	$268,942	$277,140	$285,683	$294,566	$303,627
Capital Improvement	$46,248	$48,320	$48,477	$49,924	$52,420	$55,041
Debt Service	$56,092	$57,707	$59,184	$60,482	$60,050	$59,900
Contractual Funding Obligations	$24,335	$17,466	$12,003	$7,438	$5,970	$3,980
SDWA Assessment	$209	$214	$212	$210	$209	$208
TOTAL OPERATING EXPENSES	$499,938	$501,048	$508,523	$518,445	$531,220	$544,158
NET INCOME	$2,412	0	0	0	0	0
Annual Increase (%)	3.40%	1.50%	2.90%	2.90%	2.95%	2.95%
Typical Household Bill	$1,318	$1,340	$1,379	$1,419	$1,461	$1,504

2026 Current Expense Budget

The Commission annually outlines its anticipated level of revenues and expenses for the following fiscal year. The Commission's 2026 Current Expense Budget is shown in relation to the 2025 CEB in Table 5 below. The 2026 CEB consists of $501.0 million in revenues and expenses which represent a $16.4 million, or 3.4% increase over the 2025 level.

Table 5
Current Expense Budget 2026 vs. 2025

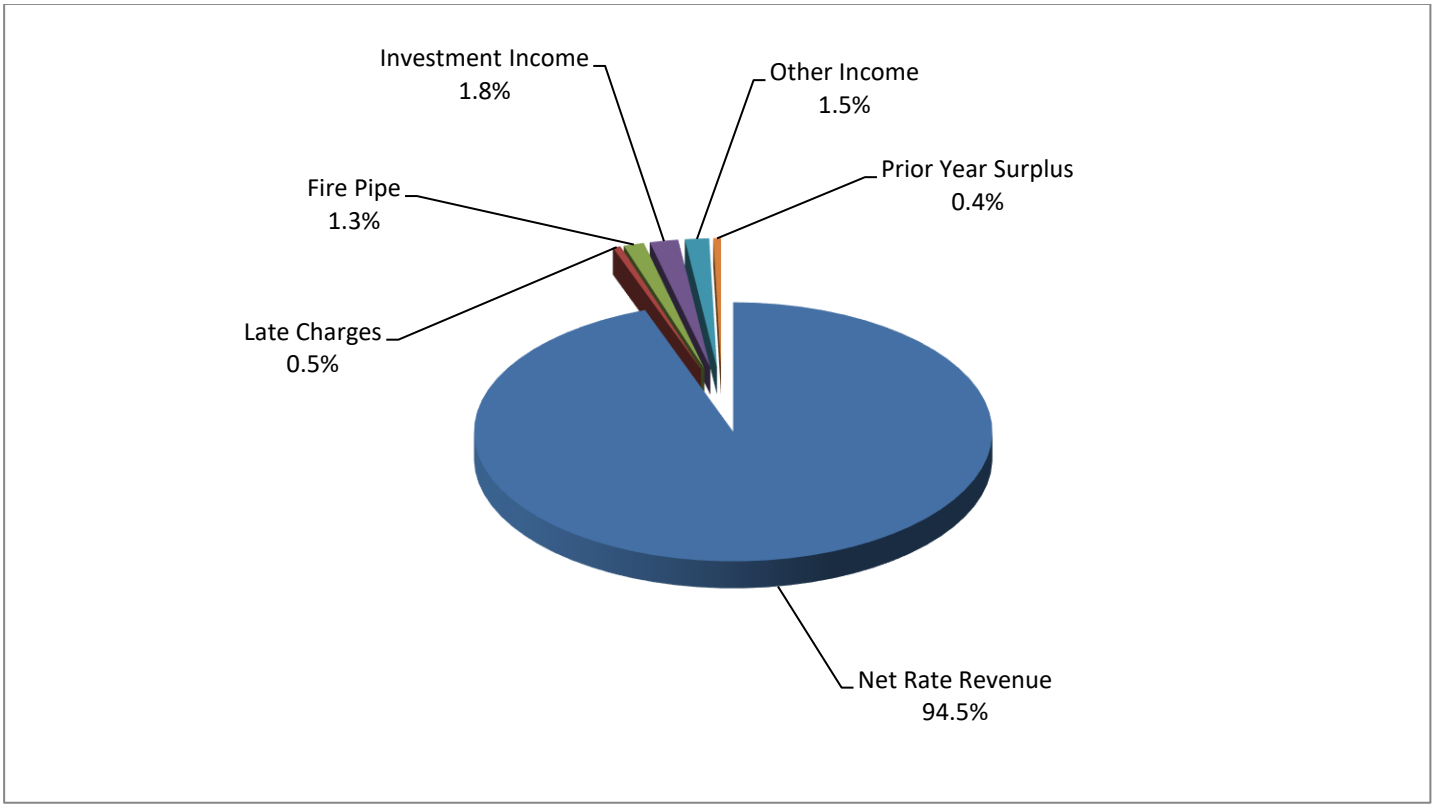
	BUDGET		VARIANCE	
	2026	2025	$	%
REVENUES				
Water	$ 213,235,710	$ 205,930,660	$ 7,305,050	3.4%
Sewer	256,144,186	249,369,195	$ 6,774,991	2.6%
Stormwater	24,201,846	23,090,171	$ 1,111,675	
SUBTOTAL	493,581,742	478,390,026	15,191,716	3.1%
LESS:				
Adjustments	(14,807,452)	(14,351,701)	(455,751)	3.1%
Discounts	(4,935,817)	(4,783,900)	(151,917)	3.1%
Bad Debt	(493,582)	(478,390)	(15,192)	3.1%
NET BILLED CHARGES	473,344,891	458,776,034	(622,860)	-0.1%
PRIOR YEAR SURPLUS	2,411,546	2,434,589	(23,043)	-1.0%
MISCELLANEOUS INCOME:				
Late Charges	2,467,909	2,391,950	75,959	3.1%
Fire Pipe	6,397,071	6,177,920	219,151	3.4%
Investment Earnings	8,882,031	7,566,960	1,315,071	14.8%
Other Income	7,544,501	7,324,758	219,743	2.9%
TOTAL REVENUE	$ 501,047,949	$ 484,672,212	$ 16,375,737	3.4%
EXPENSES				
Operating	108,398,988	107,631,042	767,946	0.7%
MWRA Assessment	268,942,451	264,259,121	4,683,330	1.7%
Capital Improvement	48,319,998	44,320,000	3,999,998	8.3%
Debt Service	57,706,635	57,094,687	611,948	1.1%
Contractual Funding Obligations	17,465,768	11,158,239	6,307,529	36.1%
SDWA Assessment	214,109	209,123	4,986	2.3%
TOTAL OPERATING EXPENSES	$ 501,047,949	$ 484,672,212	$ 16,375,737	3.4%

Net rate revenues provide 94.5% of the funding for current expenses. These net rate revenues are the total rate revenues generated for water, sewer and stormwater services less adjustments, which include Billing Adjustments, Elderly and Disabled Discounts and provision for Bad Debt. The 2026 CEB also includes anticipated fees for Special Services, Late Payment Income, and Fire Pipe Charges.

2026 Revenues

The 2026 CEB identifies $501.0 million in total revenues from the following sources: Water, Sewer and Stormwater Rate Revenue (less Adjustments, Discounts and Bad Debt), Prior Year Surplus, Miscellaneous Income, Investment Income and additional transfers from the Stabilization Fund, as needed. Graph 3 below illustrates the sources of funds contained in the 2026 CEB. Revenue source details follow:

Graph 3
2026 Revenue Sources



Water, Sewer and Stormwater Rate Revenue and Adjustments

The 2026 CEB includes $501.0 million in Water, Sewer and Stormwater Rate Revenue derived from customer charges. This is an increase of $16.4 million, or 3.4% from the 2025 CEB. The Rate Revenue included in the 2026 CEB is based on recent sales levels and analysis of usage patterns for various customer classifications.

The 2026 CEB includes Adjustments of $14.8 million. Adjustments represent corrections to customer accounts due to a variety of reasons. Other causes of Adjustments include corrections of erroneous meter readings, and sale readings resulting from transfers of ownership of property. The majority of adjustments are Sewer Abatements. According to the Commission's Sewer Abatement Policy, the Commission will provide sewer credits for water usage, which is not returned to the sewer system for treatment. The stormwater charge credit program will also be included in the adjustments line item. Total Adjustments for 2026 have been estimated to equal 3.0% of the total billed charges.

As required by the Enabling Act, the Commission will continue to offer a discount to qualified elderly and disabled customers. The level of the Elderly and Disabled Discount is 30% on the water, sewer and stormwater portions of the bill and is offered to elderly/fully disabled resident homeowners of one to four family dwellings. The estimated total expense associated with Discounts in 2026 is $4.9 million.

The 2026 CEB includes a Bad Debt expense of $0.5 million. Bad Debt expense represents the uncollectible amount of adjusted billed charges and is budgeted at 0.1% of billed charges to reflect the continued success of the Commission's Integrated Collections Program.

Prior Year Surplus

Under the Enabling Act, the Commission is required to use any surplus income generated in a fiscal year to offset expenses the following year, or to transfer that surplus to the City of Boston. Conversely, if the Commission experienced a deficit in any year, it is required to recover that deficit in the following year's rates. The Commission has produced a surplus in every year since its inception and has consistently used those monies to reduce the required rates in the following year. The 2026 CEB includes a Prior Year Surplus of approximately $2.4 million. The primary factors that contributed to this level of net operating income were increases in both Water and Sewer Revenue. The detail regarding these savings is presented in the 2025 Year-End Position section beginning on page 24.

Miscellaneous Income

For 2026, Miscellaneous Income is budgeted at approximately $16.4 million (not including Investment Income). Miscellaneous Income consists of revenue generated by: Other Income ($7.5 million), Fire Pipe Charges ($6.4 million), and Late Payment Charges ($2.5 million).

Other Income includes the revenue generated by special services. Special services are provided to customers, costs which are recovered without a burden to the general ratepayer. Special Service Fees cover services such as Cross Connection Inspections, Fire Flow Tests, Water and Sewer Lien Certificates and Special Meter Tests. The 2026 CEB includes $7.5 million in Other Income generated by the imposition of Special Service Fees. Exhibit M on the following page outlines the estimated 2026 revenue generated by Special Service Fees.

The Commission has approximately 9,818 fire pipe connections in the City. Generally accepted rate making practices recommend the imposition of Fire Pipe Fees for private fire protection service which are set to recover the costs from those customers benefiting from the service. The 2026 CEB includes $6.4 million in anticipated revenue from Fire Pipe Charges.

The 2026 CEB estimates Late Payment Charges will be $2.5 million. The Commission imposes a charge of 0.03836% per day, or approximately 14% annually, compounded with each billing on all amounts that are past due (greater than 30 days from the original bill posting/printing date). The purpose of the Late Payment Charge is to encourage the prompt payment of bills and to avoid any subsidy to slow paying customers by customers who pay their bills on time.

Investment Income

The Commission has a number of large annual expenditures which must be paid in lump sum installments, such as the MWRA Assessment and principal and interest payments associated with outstanding debt. By utilizing effective cash management techniques, the Commission can maximize the Investment Income, which is earned on the funds accumulated to meet those large expenses. In addition, the reserve requirements of certain trust indentures are also available for investment purposes. In 2026, the Commission estimates investment income at $8.9 million. this level of Investment Income is based on an estimated average return on investable balances of 2.75%.

Exhibit M

2026 Estimated Revenue from Special Service Fees

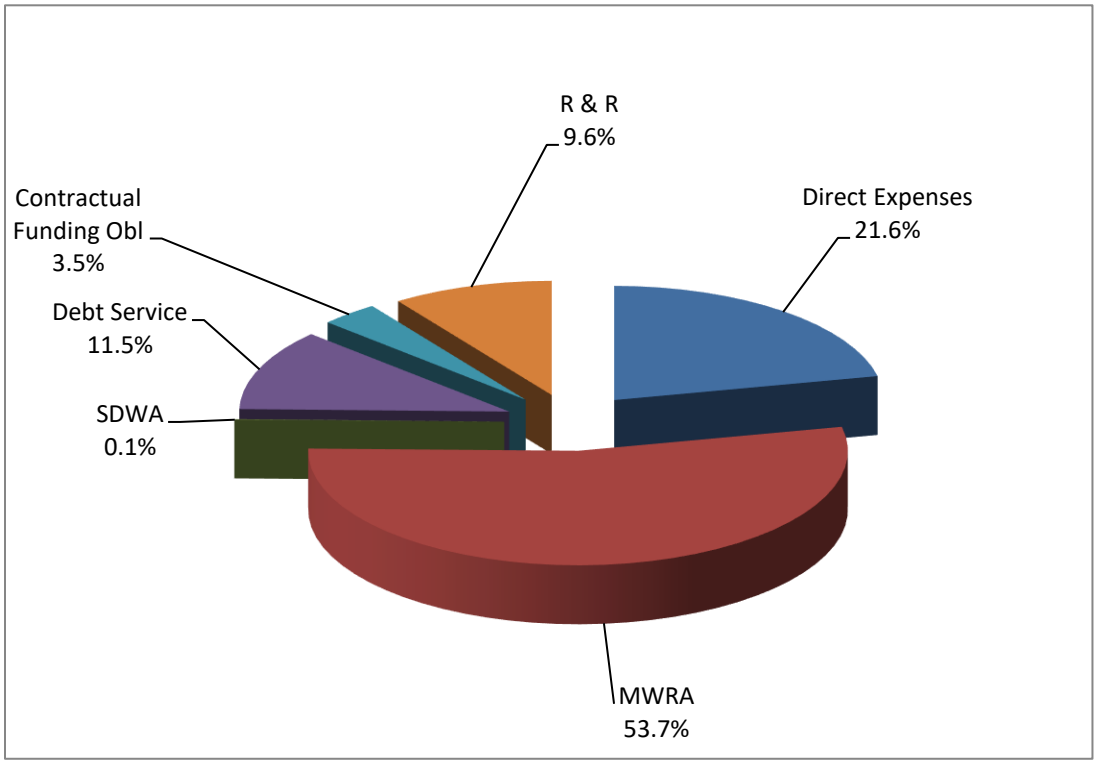
	Fee	Estimated Frequency		Revenue
Fire Flow Test	$660	225	$	148,500
Return Check Fee	$25	750	$	18,750
Hydrant Permits/Temporary Connection*	$600	415	$	249,000
Water Pipe Inspection - Normal Work Hours	$400	175	$	70,000
Water Pipe Inspection - Overtime Rate	$470	45	$	21,150
Water Pipe Inspection - Sundays and Holidays	$530	8	$	4,240
Sewer Pipe Inspection – Normal Work Hours	$400	175	$	70,000
Sewer Pipe Inspection - Overtime Rate	$470	50	$	23,500
Sewer Pipe Inspection - Sundays and Holidays	$530	7	$	3,710
Special Meter Test*	$750	140	$	105,000
Drain Layer's License - New	$300	60	$	18,000
Drain Layer's License - Renewal	$100	200	$	20,000
Multi Day Construction Inspection	$1,170	50	$	58,500
Multi Day Construction Inspection - Overtime	$1,370	35	$	47,950
Multi Day Construction Inspection - Sundays and Holidays	$1,565	30	$	46,950
Lien Certificate**	$50	2,250	$	112,500
Scrap Sales	-	-	$	20,000
Water Turn On/Off	$40	1,500	$	60,000
Termination Notice Fee	$80	500	$	40,000
Construction Plans	$6	1,850	$	11,100
Frozen Meter Replacement	$410	780	$	319,800
Cross Connection Inspection	$160	18,000	$	2,880,000
Grease Trap Permits	$160	3,500	$	560,000
General Service Applications	-	-	$	1,700,000
Luto Repair	-	-	$	480,000
Stormwater Industrial Inspection***	$205	145	$	29,725
As-built Plans	$460	250	$	115,000
	Total		**$**	**7,233,375**

* Average Cost ** Average Unit Cost *** Average Inspection Cost

2026 Expenses

The 2026 CEB identifies $501.0 million in total current expenses. The categories of expenses, detailed below, include Direct Expenses, MWRA Assessments, Capital Improvements, the Safe Drinking Water Act Assessment, Debt Service and Contractual Funding Obligations. Graph 4 illustrates the breakdown of 2026 expenses.

Graph 4
2026 Uses of Funds



MWRA Assessments	$268,942,451
Capital Improvements	$ 48,319,998
Debt Service	$ 57,706,635
Contractual Funding Obligations	$ 17,465,768
SDWA Assessment	$ 214,109
Direct Expenses	$108,398,988
Total Expenses	**$501,047,949**

MWRA Assessment

The MWRA assessment for 2026 is budgeted at $268.9 million. This represents a 1.8% increase from the 2025 budget of $264.3 million. The 2026 MWRA Assessment is based on the MWRA's actual FY26 rate increase to the Commission of 1.9% and a projected MWRA FY27 rate increase to the Commission of 3.0%, which is scheduled to become effective July 1, 2026. The MWRA Assessment expense is the largest single component of the Commission's budget, projected to be approximately 53.7% of total expenses in 2026.

Direct Expenses

Direct Expenses are those expenses directly attributable to the daily operations of the Commission. These expenses represent the costs of providing water, sewer and stormwater services to the Commission's customers and also the costs associated with the five operating units of the Commission. The Direct Expense Budget is divided into two categories of expenditures. The Labor Costs category includes Wages and Salaries; Overtime; and Labor Related Costs/Benefits. The Other Costs category includes expenses for Supplies and Materials; Repair and Maintenance; Utilities; Professional Services; Space and Equipment Rentals; Other Services; Insurance; Inventory; Capital Outlay; Training, Seminars and Travel; and Damage Claims. The Commission has implemented a number of initiatives, which were designed to reduce the level of Direct Expenses. Program Based Budgeting, expansion of the number of employee’s subject to merit-based salary increases, reduction in the amount of wage increases secured through collective bargaining agreements and standardization of functionality throughout its operations workforce has enabled the Commission to increase operating efficiency while reducing costs. The result of these efforts is a 2026 Direct Expense budget of $108.4 million, which is a 0.7% increase to the 2025 budget. Table 6 on the following page shows the divisional breakdown of the 2026 Direct Expense Budget by line item.

Continued emphasis will be placed on cost control through managerial improvements, streamlining processes and creating efficiency improvements wherever possible. This is particularly important as projected wholesale water and sewer rates imposed by the MWRA continue to escalate.

Table 6
2026 Budget
By Division

LINE ITEM	*EXECUTIVE*	*OPERATIONS*	*ENGINEERING*	*ADMIN*	*FINANCE*	*TOTAL*
Wages & Salaries	$11,858,104	$23,495,235	$10,396,836	$9,501,341	$6,059,104	**$61,310,620**
Overtime	0	2,300,000	229,778	111,775	7,500	**2,649,053**
Fringe Benefits	8,858,566	170,686	126,142	133,903	116,347	**9,405,644**
Total Labor Cost	$20,716,670	$25,965,921	$10,752,756	$9,747,019	$6,182,951	**$73,365,317**
Supplies & Materials	$75,000	$2,279,879	$92,925	$543,725	$707,440	**$3,698,969**
Repair & Maintenance	0	11,150,045	101,700	4,993,300	98,000	**16,343,045**
Utilities	0	0	0	2,186,840	0	**2,186,840**
Professional Services	3,531,500	2,777,000	1,015,500	387,500	437,200	**8,148,700**
Rental	0	38,550	0	282,480	0	**321,030**
Other Services	544,400	692,739	25,490	915,250	435,550	**2,613,429**
Insurance	0	0	0	0	1,258,658	**1,258,658**
Inventory	0	25,000	0	0	0	**25,000**
Capital Outlay	0	110,000	0	48,000	0	**158,000**
Training/Seminar/ Travel	12,500	17,000	24,500	21,000	5,000	**80,000**
Damage Claims	200,000	0	0	0	0	**200,000**
Total Other Cost	$4,363,400	$17,090,213	$1,260,115	$9,378,095	$2,941,848	**$35,033,671**
TOTAL DIRECT EXPENSES	$25,080,070	$43,056,134	$12,012,871	$19,125,114	$9,124,799	**$108,398,988**

Capital Improvements

Capital Improvements refers to the projects included in the CIP which are specifically designed to renew or rehabilitate the water, sewer and stormwater systems serving the City. These Capital Improvements or Renewal & Replacement projects are funded using current year rate revenue and have a significant impact upon the level at which the Commission must set its rates. This item is discussed in more detail in the Capital Improvement Program section that begins on page 55.

The 2026 CEB includes approximately $48.3 million for R&R. This level of expenditures is based on the project detail of ongoing and new water, sewer and stormwater rehabilitation which is scheduled to take place in 2026 as outlined in the 2026-2028 CIP. This level of expenditures represents an increase of $4.0 million, or 9.0%, from the 2025 budgeted level of $44.3 million.

Debt Service

The Commission issues General Revenue Bonds in support of its annual CIP Program. The 2026-2028 CIP outlines total expenditures of $389.6 million, of which $135.3 million, or 34.7%, is scheduled to be funded by the proceeds from the issuance of bonds. At the end of 2025, the Commission has $591.3 million of General Revenue Bonds outstanding with different maturity dates on which there will be required principal and interest payments during 2026. In addition to its debt service obligations associated with General Revenue Bonds, the Commission must pay debt service relating to the MWRA. The 2026 budget for Debt Service is $57.7 million, an increase of approximately 1.1% from the 2025 budget level.

Contractual Funding Obligations

The Commission, as required by its Bond Resolution, maintains an Operating Reserve Fund, a Renewal and Replacement Reserve Fund, an Insurance Reserve Fund and a Stabilization Fund. The Contractual Funding Obligation line item represents mandated funding of all of these funds, for example, the Operating Reserve Fund at a level equal to one-sixth of the Direct Expenses and the accrued MWRA Assessment for the year. In addition, this line item reflects deposits that may be made to any of the other reserve funds, which are maintained by the Commission. The 2026 budget for Contractual Funding Obligation is $17.5 million.

Safe Drinking Water Act Assessment

The 2026 CEB includes $0.2 million for the SDWA Assessment. This assessment is necessitated by the requirements of the federally mandated SDWA. Massachusetts has opted to oversee the implementation of the SDWA throughout the Commonwealth ("Primacy"). As a result, the Legislature implemented a funding mechanism for Primacy, which entails an assessment to all public water suppliers. The Commission's assessment for 2026 of $0.2 million is calculated as $0.0095 per thousand gallons of water purchased.

Impact of Current Expense Budget on Rates

The CEB development process determines the level of expenditures for the following fiscal year. Every expense included in the CEB impacts on rates and charges. Since the Commission is required to set rates and charges at a level sufficient to recover the full costs of operation and maintenance and provide for net revenues equal to at least 125% of the maximum principal and interest payments due in that year, increases in any CEB line item have a direct impact on rates. The greater the level of projected expenditures, the greater the rate revenue requirement and the level at which water and sewer rates must be set to meet these expenses. Since the MWRA Assessment, Direct Expenses and Debt Service combined represent 86.8% of total expenses for 2026, the Commission has been aggressively pursuing methods of minimizing, where possible, the level of these expenses and the resulting impact on rates.

The Commission has been at the forefront of rate relief efforts to minimize the impact of continued increases in water and sewer assessments from the MWRA. The Commission has participated in the creation of the Massachusetts Clean Water Council and the National Water Funding Council, two public-private organizations dedicated to seeking state and federal rate relief funding. In addition to legislative lobbying efforts to secure rate relief, the Commission has maintained an increased awareness of the need to minimize its direct expenses.

As a result of continued managerial and efficiency improvements, the Commission has been able to generate a surplus in each year of operations since inception and has consistently used that surplus to mitigate any required rate increase. The 2026 CEB increased $16.4 million, or 3.4% from the 2025 CEB.

2026–2028 Capital Improvement Program

The Enabling Act and the Commission's General Revenue Bond Resolution, adopted December 6, 1984 ("the Resolution") require that the Commission, on an annual basis, develop a three-year Capital Improvement Program ("CIP"). The CIP outlines the scheduling and implementation of the capital projects necessary to maintain and improve the water and sewer systems for the ensuing three-year period.

In keeping with the requirements of the Enabling Act and the Resolution, the CIP presented here identifies capital expenditures totaling $389.6 million for the three-year period 2026-2028 Expenditures are divided into four categories: Water Distribution System projects account for $117.5 million, or 30.2% of the 2026-2028 CIP. Sewer System projects comprise $143.3 million, or 36.8%, Support projects total $59.0 million, or 15.1% of the expenditures outlined in the program, and Stormwater projects account for $69.8 million, or 17.9% of the 2026-2028 CIP.

The tables on this and the following page present the funding sources and cash flows expenditures for the Commission's 2026-2028 CIP. Total capital expenditures of $139.2 million are outlined for 2026. Water Distribution projects comprise $45.4 million, or 32.6% of the 2026 CIP. Sewer System projects account for $48.6 million, or 34.9%; Support projects account for $28.4 million of the 2026 amount, or 20.4%; Stormwater projects totaling $16.8 million of the 2026 amount, or 12.1%.

Table 7
2026-2028 Capital Improvement Program
Funding Sources

Program	2026	2027	2028	2026-2028
BWSC Bonds	$52,766,359	$49,173,955	$33,337,647	$135,277,960
Rate Revenue	$48,319,997	$48,476,568	$49,924,233	$147,211,033
MWRA Water Assistance	$3,365,822	$0	$0	$3,365,822
MWRA I/I Assistance	$16,148,087	$13,199,978	$3,901,360	$33,249,424
SRF	$18,575,323	$15,731,066	$36,216,946	$70,523,334
Total	**$139,175,589**	**$126,581,566**	**$123,380,185**	**$389,627,575**

Table 8
2026-2028 Capital Improvement Program
Cash Flows

Program	2026	2027	2028	2026-2028
Water	$45,409,192	$38,401,981	$33,658,690	$117,469,863
Sewer	$48,562,918	$50,221,800	$44,063,518	$143,338,470
Support	$28,414,015	$15,451,101	$15,125,287	$58,990,403
Stormwater	$16,789,464	$22,506,684	$30,532,690	$69,828,839
Total	**$139,175,589**	**$ 126,581,566**	**$123,380,185**	**$ 389,627,575**

Project Highlights

The Commission's CIP includes projects to improve the overall efficiency of the Commission and to enhance the Commission's ability to provide services to its customers. The projects included in this CIP are intended to accomplish these objectives in the most efficient and cost-effective manner. The Commission intends to enhance Boston's water and sewer infrastructure with several targeted projects included in the 2026-2028 Capital Improvement Program. Some of the major projects are listed below:

- ✓ Fort Point Channel and Mystic/Chelsea Combined Sewer Overflow Control Projects
- ✓ Water Main Large Valve Replacement
- ✓ Rehabilitation of the New Boston Main Interceptor (NBMI)
- ✓ East Boston Sewer Separation
- ✓ South Boston Sewer Separation
- ✓ Design of Dorchester Interceptor
- ✓ West Roxbury and Hyde Park SSES
- ✓ City-wide Illegal Connections Investigations
- ✓ Upgrades to Union Park Pumping Station & Satellite Stations
- ✓ Charlestown SSES
- ✓ Charlestown Sewer Separation
- ✓ Construction of Daisy Field Green Infrastructure
- ✓ Coastal Stormwater Impact Analysis
- ✓ Projects affiliated with the Consent Decree; includes cleaning and televising 90 miles of sewer and drains
- ✓ Improvements of Information Technology
- ✓ Citywide Renewal & Rehabilitation of Drains and Sewers
- ✓ Lead Sampling and Education Program for Schools and Childcare Facilities

The projects planned for the next three years are presented in three categories: Water Distribution System Projects, Sewer System Projects and Support Projects. Each category is further grouped according to the primary type of work to be accomplished.

The 2026-2028 CIP for the Water Distribution System continues the investments necessary to maintain and improve the water distribution infrastructure. As in the past, projects are planned in the following areas: the rehabilitation or replacement of water mains, including the replacement of water pipes and the upgrade of valves and hydrants. Also included are water mains that are replaced as part of the Commission's sewer separation work.

The primary purpose of the Water Main Replacement Program is to ensure the quality and quantity of water provided by the Commission to its customers. Over long periods of time the internal and external surfaces of water mains are subject to corrosion and deterioration. Internal corrosion of water mains can affect water quality, particularly taste, odor and color as well as reduce the hydraulic capacity of the pipe. Internal and external corrosion can also reduce the structural integrity of pipe, causing potential leakage and main breaks.

The Commission completed its Wastewater and Storm Drainage System Facilities Plan in 2015. A major objective of the Wastewater and Storm Drainage System Facilities Plan was to develop facility plans for the operation of the Commission's sewer and storm drains that are aligned with the Commission's primary service goals and supported by effective operations, maintenance, and engineering practices.

In addition to establishing a sustainable framework for planning and management, the Wastewater and Storm Drainage Facilities Plan project includes a broad spectrum of data collection, engineering evaluation and tool development.

Projects associated with the Plan in the Sewer System CIP include the rehabilitation or replacement of approximately 15.5 miles of deteriorated or collapsed sanitary sewers and storm drains and the television inspection of approximately 85 miles of sewer pipe. Also included are drainage improvements in the replacements of faulty tide-gates.

The CIP continues funding for the separation of combined sewers and for the reduction of infiltration and inflow into the sanitary system. Infiltration and inflow ("I/I") are extraneous quantities of water, which enter the sanitary sewers and reduce the capacity of the system to transport sanitary sewage. Reduction of I/I also decrease the quantity of water transported to the Massachusetts Water Resource Authority ("MWRA") wastewater treatment facilities, thereby reducing overall transportation costs, treatment costs and BWSC sewer assessments.

Impact of Capital Improvement Programs on Rates

The impact that the annual CIP has on the rate setting process is seen in two specific areas. First, present Commission policy dictates that capital projects, which rehabilitate or replace existing systems are funded using rate revenue generated by user water and sewer charges. The complete funding of projects which rehabilitate or replace existing systems has a direct impact on the level at which rates must be set each year. The 2026-2028 CIP includes $147.2 million in scheduled rate revenue funded expenditures over the three-year period.

The second area where the Capital Improvement Program has direct impact on rates is Debt Service. The Commission secures the majority of the funding required to undertake the annual CIP through the issuance of general revenue bonds. The total bond debt that the Commission currently has outstanding as of December 31, 2025 is $591.3 million, the annual repayment of which is recovered through rate revenues. In addition to its debt service obligations associated with General Revenue Bonds, the Commission must pay debt service on MWRA loans, grants and SRF loans. The 2026 projected Debt Service Expense is $57.7 million. Substantial increases in either of these items will cause a direct increase in the amount of rate revenue required for a given year and ultimately result in increased rates.

Program Based Budgeting

The first phase of the financial planning process is the Goal Setting Process. In 1989, the Commission implemented the "Program Based Budgeting" methodology. Under this program, each operating unit within the Commission identifies areas of concern on an annual basis and declares new goals and objectives that outline the mission and the duties of each operating unit. These program goals and objectives, when successfully completed, will result in continuing our efforts to reduce costs and gain operating efficiencies wherever possible.

The goals and objectives are divided into four categories: Goals included in the Monthly Management Report, Goals included in the Commission-wide Report Status Update, Tactical Goals and Strategic Goals. The Monthly Management Report is a compilation of data on essential programs and activities necessary for basic delivery of water and sewer services to its ratepayers. The Commission-wide Report Status Update is a listing of all reports submitted by staff for internal distribution or as required by law or permit to be completed and submitted to any external agency. Tactical Goals are one-time improvements and/or enhancements to a technical or service-oriented process. Strategic Goals outline the long-range plans and direction of each department and the Commission. The focus of tactical and strategic goals is on cost control, service improvement, environmental protection and revenue enhancement.

Each goal must be clearly defined; costs justified and include discernable measurement criteria and deadlines. The cost of implementing any new tactical or strategic goal should be carefully evaluated before submission. Additional funding requests, which are submitted in conjunction with tactical and strategic goals, are reviewed by Budget staff for cost/benefit analyses. The overall program is designed to hold every employee accountable for his/her level of performance related to the goals and objectives identified for his/her operating unit. As the Commission has instituted a merit-based scale for salary increases for most of its workforce, the annual development and achievement of goals and objectives serves as the basis from which performance is measured. In addition, progress toward achieving goals and objectives is monitored throughout the year by Budget staff and is used to assess the status of goals and to address achievement concerns. Division Chiefs and Department Managers meet with employees several times during the year to discuss the status of goals and what efforts are needed to improve performance. The following objectives are illustrative of Tactical and Strategic Goals to be achieved in 2026.

Executive Division

Organizational Diversity:
Review, implement and administer the Commission's Affirmative Action Program so that equal employment opportunity is provided to all in hiring, training and promotion of minorities, women disabled persons and Vietnam error veterans. Maintain throughout the city of Boston and its environs contact with appropriate persons and groups to recruit members of protected groups.

General Counsel:
Negotiate and implement a successor union contract with SEIU, Local 888 (set to expire in 2026), while ensuring a smooth transition and continuity of terms for all parties involved while strengthening the position of the Commission.

Human Resources:
To scan all HR Documents on Doc Record so that HR documents are accessible electronically for easy access and to reduce paper.

Communications and Community Service:
In conjunction with the Commission's Lead Action Committee, update and develop informational material and pursue outreach efforts to reflect the most current user-friendly data on the dangers of lead as delineated through revised federal regulations. The team would work collaboratively with the Operations Department and other stakeholders to aggressively market the utilization of the Commission's Lead Replacement Incentive grant funding program as the replacement work is currently offered at no cost to the property owner. Assist the team with targeting property owners who have declined participation in the program previously or the material of the pipe is unknown. A key element of this goal is to reflect the most current increased numbers of lead service lines transitioned to copper.

Special Projects:
The HVAC system and roof replacement at 980 Harrison Ave. is to ensure the weather protection of the building, as well as an upgraded energy efficient interior climate system. Cost control is achieved by ongoing inspections from the contractor and project management services with weekly updates and monitoring expenses. Environmental protection is achieved by the controlled removal and disposal of the construction debris. Revenue enhancement is achieved in an indirect manner by lowering the cost of heating and air conditioning throughout the building with much more efficient systems installed as replacements.

Operations Division

Water and Sewer Services:
The Operations Department aims to continue streamlining crew organization by evaluating current workflows and reallocating resources to maximize productivity. In addition, the department will develop and implement comprehensive equipment training programs to ensure all staff are proficient in the safe and effective use of both existing and newly acquired machinery, ultimately improving overall efficiency and job performance.

Support Services:
Oversee the CIP improvements for the Union Park Pump Station required to maintain continuous operation.

Customer Service & Compliance:
Ensure that every backflow device in our inventory—totaling 19,641 devices and requiring 28,433 tests—is tested in compliance with Massachusetts DEP water regulations for the year 2026.

Asset Management:
Monitor, investigate, and address inflow and infiltration of groundwater in areas of concern for the Boston Groundwater Trust. This is a symbiotic relationship as the Commission is mandated to minimize the volume of I&I in the sewer system that will ultimately make its way to Deer Island for treatment. Treating a constant flow of groundwater is a waste of time and resources.

Safety & Training:
To ensure the reliability and efficiency of the Commission's fleet, the Fleet Department will conduct thorough, scheduled inspections using industry-standard practices and safety protocols. These inspections will help maintain vehicles at optimal operational standards, minimize downtime, and improve overall performance.

Meter Services:
The American Water works Association recommends that meters 3" in diameter be tested every three years, 4" meters in diameter every two years and meters 6" and larger every year. In order to maintain this program, 500 – 600 meters need to be tested every year.

Storeroom:
To ensure the reliable and efficient production regarding the storeroom by maintaining organized inventory and infrastructure, enhancing staff capacity through targeted staffing and training, optimizing operational practices and implementing energy-saving initiatives—aiming to achieve full staffing.

Engineering Division

Planning:
Conduct post-construction analysis on significant changes to assets intended to reduce CSOs.

Design:
Make recommendations to the IT Department for upgrading the Commission to AutoCAD 2026 software or higher.

Construction:
Train Project Engineers to perform both level run and total station surveys.

Administration Division

Account Services:
Develop and launch a supplemental training video that demonstrates the correct process for opening a case and the correct work order for the account. This video will serve as a quick reference tool for employees, reinforcing proper procedures and ensuring consistency in case management practices

IT:
To modernize BWSC's enterprise GIS platform and ensure long-term supportability, the Commission will transition from the legacy ArcGIS 10.8.1 Geometric Network environment to ESRI's Utility Network framework. This upgrade will replace the existing Water, Sewer, and Street Centerline Geometric Networks originally implemented in 2007 with a more advanced, scalable, and resilient data model. Implementing the Utility Network will enhance system connectivity, improve infrastructure modeling accuracy, strengthen operational efficiency, and position BWSC to leverage modern GIS capabilities ahead of ArcGIS 10.8.1 end-of-support in March 2026.

Facilities and Support Services:
To replace the overhead ceiling tiles at 980 Harrison Avenue.

Finance Division

Budget and Financial Planning:
Work with the Engineering Division to develop new procedures for the Capital Improvement Program's payment processing and annual CIP budget cash flows for the newly implemented Kahua construction management system.

Revenue Audit & Analysis/Billings and Adjustments:
Improve accuracy and speed of the customer billing process.

Accounting:
Create and update new quarterly reconciliation for loans received via The Massachusetts Clean Water Trust (MCWT)'s State Revolving Fund (SRF) Program.

Accounts Receivable:
Review customer credit balances by bill cycle. Research overpayments and potential misapplied payments to correct customer accounts. Offer customers refunds to reduce the number of customers in a credit position.

Procurement:
Asses and test enhancements for the Purchasing Module within PeopleSoft Financials, with the objective of improving functionality and increasing process efficiency.

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