



TOWN OF SHREWSBURY

Richard D. Carney Municipal Office Building
100 Maple Avenue
Shrewsbury, Massachusetts 01545-5398

November 16, 2016

Mr. John Lukach
4 Bunker Hill Road
Shrewsbury, MA 01545

Dear Mr. Lukach:

I have reviewed your letters with accompanying attachments to the Board of Selectmen dated November 2, 2016, and November 4, 2016.

After reviewing your calculations, this past weekend I revisited the construct of my fourth slide presented to the Special Town Meeting on September 26, 2016, and found it to be in error as I did not adjust for the current rate structures for the period of July 1, 2015 to December 31, 2015.

By way of review, Slide #1 set forth the FY 2016 billed value as follows:

Rate Code	# of Bills	Consumption	% of Total	Billed Value	% of Total	Value/Thousand
Residential	38,991	562,455,393	68%	\$2,380,249	68%	\$4.23
Condominium	3,185	27,719,146	3%	\$122,798	3%	\$4.43
Commercial	2,027	131,849,152	16%	\$568,914	16%	\$4.31
Apartment	624	103,533,070	13%	\$452,116	13%	\$4.37
	44,827	825,556,761	100%	\$3,524,077	100%	\$4.27

Slide #4 set forth what I purported to be the result of projecting the billed value if the Residential and Condominium rate structures aligned with the Commercial rate structure as follows.

Rate Code	# of Bills	Consumption	% of Total	Billed Value	% of Total	Value/Thousand
Residential	38,991	562,455,393	68%	\$2,856,731	71%	\$5.08
Condominium	3,185	27,719,146	3%	\$173,135	4%	\$6.25
Commercial	2,027	131,849,152	16%	\$568,914	14%	\$4.31
Apartment	624	103,533,070	13%	\$452,116	11%	\$4.37
	44,827	825,556,761	100%	\$4,050,896	100%	\$4.91
		Change in Billed Value		\$526,819*		

*\$4,050,896 - \$3,524,077 = \$526,819

While the billed values of the Residential and Condominium rate codes are correct, the Commercial and Apartment rate codes billed values are not and the change in billed value of \$526,819 is also incorrect.

The correct method for this calculation should have been first a recalculation for FY 2016 billed value at the current rate structures for the entire year as follows (note percentages are rounded):

Rate Code	# of Bills*	Consumption*	% of Total	Billed Value	% of Total	Value/Thousand
Residential	38,991	562,455,393	68%	\$2,534,416**	68%	\$4.51
Condominium	3,185	27,719,146	3%	\$130,799	4%	\$4.72
Commercial	2,027	131,849,152	16%	\$592,316	16%	\$4.49
Apartment	624	103,533,070	13%	\$465,899	13%	\$4.50
	44,827	825,556,761	100%	\$3,723,430	100%	\$4.51

* Source MUNIS Consumption Report

** The MUNIS Consumption Analysis Report that I use to project various rate scenarios shows a de minimis variance from your calculation of \$886 on the Residential Rate Code due to a bill count of 38,971 (-20 bills) and consumption of 562,266,336 gallons (-189,057 gallons). Your computation shown on the materials provided is from my viewing accurate.

With the application of the Commercial rate structure upon Residential and Condominium rate structures, the billed value would result in Slide #4 showing as follows (note percentages are rounded):

Rate Code	# of Bills*	Consumption*	% of Total	Billed Value	% of Total	Value/Thousand
Residential	38,991	562,455,393	68%	\$2,856,731**	70%	\$5.08
Condominium	3,185	27,719,146	3%	\$173,135	4%	\$6.25
Commercial	2,027	131,849,152	16%	\$592,316	14%	\$4.49
Apartment	624	103,533,070	13%	\$465,899	11%	\$4.50
	44,827	825,556,761	100%	\$4,088,081	100%	\$4.95
Change in Billed Value				\$364,651		

* Source MUNIS Consumption Report

** Based on the MUNIS Consumption Analysis Report bill count of 38,971 and consumption of 562,266,336 gallons.

The resulting change of billed value according to these calculations is \$364,651 (\$4,088,081 - \$3,723,430) not the \$526,819 that I showed on Slide #4 at the Special Town Meeting.

While the argument I was seeking to illustrate with Slide #4 is still supported by this recalculation, I was incorrect by the amount of \$162,168.

I regret the error and by copy of this letter inform Town Meeting Members of my mistake. While you and I may disagree on this issue, you and I both can agree on the need for me to provide correct information to the Town Meeting.

I will also post a copy of this letter along with a corrected slide #4 on the website.

I note that this error in my methodology also affects the rate scenarios that are contained in my rate study of September 9, 2016. I will revise the scenarios and post a supplemental memo for record purposes.

Thank you for taking the time and effort to prepare your calculations and sharing them with me.

Please advise with any questions.

Truly yours,

A handwritten signature in black ink, appearing to read "Daniel J. Morgado". The signature is fluid and cursive, with a large initial "D" and "M".

Daniel J. Morgado
Town Manager

Cc Board of Selectmen
Town Meeting Members
Finance Committee



Town of Shrewsbury, Massachusetts

Revised Slide #4

Special Town Meeting

September 26, 2016



Result of a Return to Same Rate Structures

Rate Code	# of Bills	Consumption	% of Total	Billed Value	% of Total	Value/Thousand
Residential	38,991	562,455,393	68%	\$2,856,731	71%	\$5.08
Condominium	3,185	27,719,146	3%	\$173,135	4%	\$6.25
Commercial	2,027	131,849,152	16%	\$592,316	14%	\$4.49
Apartment	624	103,533,070	13%	\$465,899	11%	\$4.50
	44,827	825,556,761	100%	\$4,050,896	100%	\$4.95
				Change in Billed Value	\$364,651	

This is a revision of slide #4 shown at the September 26, 2016, Special Town Meeting.