

SELECTMEN'S WORKSHOP
Minutes of 02-16-10
4:15 p.m.

Selectmen:

Peter F. Brothers, Chairman
Miller C. Lovett, Vice Chairman
Robert C. Flanders
Charles G. Palm
Colette Worsman

Town Manager:

Philip L. Warren

Recording Clerk:

Karin Landry

Call to Order: Chairman Peter Brothers called the meeting to order at 4:15 p.m. He introduced the Board and Town Manager.

W 10-09 Water System Committee Update

Water System Committee Chairman David Thorpe presented the Committee's recommendations for changes in the policies used to set water and sewer rates. Committee members Dan Cornelissen and Jonathan James were also in attendance. The Committee will commence work on setting the new rates once policy changes are agreed upon by the Board. The Committee recommends setting the rates on operating and maintenance costs, known current debt costs, and a small future capital number to continue building reserves. The rates will be adjusted to accommodate long-term capital needs once a study on the distribution system is complete. It is hoped that the capital needs will be identified by this spring so that they can be included in this year's CIP process.

Capital Split. Although the current capital split between water rate payers and general taxpayers is 60/40, based on assessments as of last June, the effective rate split is 69/31. The general taxpayers have some responsibility for the downtown infrastructure, and benefit from a vibrant downtown that brings in tax dollars and tourists. The Committee does not suggest any changes to the 69/31 split.

Chair Brothers and Selectman Worsman think the split is fair and appropriate. There has been a migration over time for support of the system by general taxpayers, with users/franchise owners paying a larger portion.

Selectman Lovett suggested the crafting of a position statement that sets forth what general taxpayers get in return for their support of a vibrant downtown infrastructure. The split can be based on the statement, and the rate adjusted at the next rate setting. Selectman Palm will work with the Committee on drafting the statement.

Selectman Flanders is comfortable with the recommendation of the Committee and pointed out the benefits to the general taxpayers of the municipal buildings that take advantage of the infrastructure.

Division of Water Rates. There is a fixed quarterly charge for water, whether or not it is used, that reimburses the Town for the infrastructure in place in anticipation of providing water. In addition, there is a volume charge that varies with the amount of water that is used. The Committee feels it is appropriate to charge a minimum charge at a level independent of usage, and a usage charge that depends on the actual volume used. It does not recommend a change to this policy.

The fixed charge will vary depending on the ability to deliver service and the infrastructure installed to the facility (size of the meter). Various models will be considered to identify the proper allocation of variable and fixed costs. Selectman Flanders suggested a formula that can be used for parity in assessing fixed fees by identifying the potential for delivery based on the size of the meter. The charges will not be set at this time. Selectman Lovett believes the practice makes sense.

Tiered Rates. As different quantities of water are used, the rates that are applied to each quantity may change. Residential users currently pay \$1.18 for the first 15 hundred cubic feet, and \$2.64 for each hundred cubic feet after that. Commercial/non-residential users are not assessed at the higher rate until they use more than 90 hundred cubic feet. The Committee recommends continuing with the tiered system, but using the same tier break point for all users, and the same rate per hundred cubic feet for all users, whether residential or non-residential.

Selectman Worsman agrees with the Committee, and pointed out that general taxpayers are already subsidizing the commercial property in the general downtown area with a 31% capital split. An adjustment of the tiered rates is a measure that can be used to further the Board's goal of promoting conservation measures, thereby avoiding additional reinvestments in capital. Town Manager Philip Warren explained that the cost of producing one gallon of water increases exponentially according to the total amount of water that must be produced, and that this was factored into the discussion of tiered rates.

It is the intent of the Committee to implement relatively simple obvious changes in policy early, and make adjustments as time progresses. The enterprise is not covering costs at this time, and if the burden is to be removed from the general taxpayer, the rates must go up.

Selectman Flanders believes it is inherent upon the Board to move forward quickly to allow commercial users that might be using substantial quantities of water the opportunity to understand costs and develop water sources that will aid in controlling them.

Mr. Thorpe pointed out that as higher rates are instituted and conservation measures are taken, less and less water will be billed, and the cost per hundred cubic feet will go up.

The rates must cover costs based on the volume of water billed. Selectman Flanders pointed out that conservation measures will delay the urgency to expand the facility.

Seasonal Rates. The rate charged per hundred cubic feet is lower during the winter than the summer. Varied rates according to season do not produce any great positive results, and the Committee recommends discontinuing the practice for simplicity reasons.

Hydrant Rental Fee. For several years, the Town has contributed \$69,000 a year to the enterprise for the maintenance of hydrants. Mr. Thorpe does not think that the subsidy is appropriate. The Town administrative services used by the water department are not being charged to the enterprise, and the Committee recommends changing the hydrant rental fee to a maintenance and administrative fee, which will equalize some of the costs the Town incurs for running the department. The enterprise fund should be detailing all costs of operation including the administrative portion. The taxpayers will be responsible for a portion of those costs, but the administrative costs should be charged back to the utility, which will make the rates more defensible because it will operate as a true enterprise system. This recommendation was discussed with an expert in the rate establishing and defense field. Dialogue ensued regarding capital and operating costs related to the hydrants. Mr. Thorpe believes that the \$69,000 contribution is very generous. The Committee will review the actual costs of operating and maintaining the hydrants, and make recommendations for adjusting the hydrant and administrative portions accordingly. The costs related to hydrant flushing will be included as part of the maintenance costs of the hydrants.

Selectman Worsman expressed concerns with the fact that 100% of the hydrant operation and maintenance is being paid for 100% by the community at large, while the hydrants are a significant benefit to those who live in the downtown area.

Selectman Palm expressed concerns with not being able to justify the amount that the general taxpayer is paying the water department for maintenance of the hydrants. He suggested identifying the costs associated with normal maintenance, and charging the Town based upon those costs. The Town can provide services related to the billing process, and perform other administrative functions more cost effectively than the enterprise fund, and it makes sense for the Town to do so and be reimbursed.

Selectman Lovett pointed to this as another example of why there must be a statement as to what general taxpayers are paying for.

Sewer Rates. The Committee recommends that the sewer rates have some consistency with the water rates, including no differential between residential and non-residential use. There is currently no seasonal change in sewer rates. There is a quarterly minimum charge and variable charge based on the amount of water used. The fixed charge is calculated at \$35 per equivalent unit assessed to the property. The Committee recommends picking fixed numbers, a variable system, and setting tiered rates, but removing any relationship to equivalent units and using those strictly for access fees. Doing so will simplify the system and make it a lot more equitable.

Unmetered Users. The approximately 350 users that do not have water meters are charged at an equivalent of 200 gallons a day, which is significantly more than is used by the average residence. Dialogue ensued regarding options for identifying water usage in homes that do not have meters. The Town Manager does not recommend taking on the installation of meters at this time.

Selectman Palm suggested a policy requiring that all new construction, even if a sewer only account, require a water meter by a date certain. Doing so will allow charging for sewer use based on water use. Selectman Flanders fully supports the installation of water meters on all new construction as of a date certain. He suggested that going forward, the cost of connection should include water meter installation, and be borne by the property owner. The Committee will not pursue requiring the installation of meters at non-metered residences, and will include effecting a water meter policy on all new construction.

Timeline. Mr. Thorpe reviewed the timeline for adopting new rates and establishing a capital plan. He credited Water & Sewer Superintendent Brian Carroll for the work that has been on the Water System to improve efficiencies. The department is producing less water, using less water, running fewer hours, and producing more water per hour than last year. As a result, the operating costs have decreased significantly. In addition, the peaking factors have settled down, which means plans for capital improvements can be less aggressive. Additional work will be done this year to identify unaccounted for losses. The exact plant capacity will be known once two of the finished water pumps are replaced in the next few days. The testing will be performed by a professional engineer. A generator needs to be updated at some time, but is not affecting normal daily operations.

Dialogue ensued regarding a large residential user with a single meter. The user is a multiple housing unit using enormous amounts of water. The user, a mobile home park of 125 units, is the single largest user in Town. Each individual unit uses approximately the same amount of water used by a typical residence. Selectman Flanders suggested keeping the user in the higher commercial rate structure to encourage them to be more aggressive with their maintenance program. The Chair agrees that rates are only part of the program, and supports the opportunity for users to look at the benefits of long-term maintenance and upgrading their infrastructure.

The Chair expressed appreciation on behalf of the Board for the hard work that has been done by the Committee.

The remaining Agenda items were moved to the regular meeting following the workshop.

Selectman Flanders moved to adjourn the workshop at 5:25 p.m. Seconded by Selectman Worsman. 5-0. All in favor. Motion passed unanimously.

Respectfully submitted,

Phillip L. Warren, Town Manager

Peter F. Brothers, Chairman

Karin Landry, Recording Clerk

Miller C. Lovett, Vice Chairman

Robert C. Flanders

Charles G. Palm

Colette Worsman