

Approved by City Council on May 1, 2017



City Council Special Workshop Meeting March 27, 2017

Call to Order

Mayor Merrifield called the meeting to order in the Council Chambers, Franklin City Hall at 6:00 p.m.

In Attendance

Councilor Clarenbach, Councilor Ribas, Councilor Moquin, Councilor Barton, Councilor Desrochers, Councilor Wells, Councilor Zink, Councilor Dzujna, City Manager Dragon, MSD Director Sullivan, MSD Deputy Director Barry and Mayor Merrifield.

Salute to the Flag was led by Councilor Desrochers.

City Manager Dragon stated that the council will hear about the water and sewer departments as a continuation of the workshops to get more in depth information on situations or challenges that the city is facing. There is an overview document that has been given to the council that is an outline of the discussion.

MSD Director Sullivan stated he will reflect on where they are at on the water and sewer divisions. He referenced the General Court of NH SB60, Chapter 245:1, Laws of 2009 establishing a commission to study water infrastructure sustainability funding document. The report was completed in 2013 and he wants to highlight some issues that not only affect Franklin but other old NE Milltown communities with regards to antiquated equipment and infrastructure.

The joint legislation commission met thirty-one (31) times beginning in 2009. The study was done by the commission and MSD Director Sullivan read some important points from the document. The commission examined and made the following decisions as the investment in water infrastructure in NH communities was important, how this water infrastructure benefits the state, what amount of investment is needed in the next decade, should the state continue providing aid for local water infrastructure investment, what are the most appropriate mechanisms for state assistance, what revenue sources for state assistance programs are good for water services infrastructure it provides.

The summary of findings and recommendations was that water infrastructure is critical and beneficial to NH's economy and quality of life, substantial investment is needed, state should create a water trust fund, a new revenue source must be found to create a water trust fund and that a charge on beverage containers is the best alternative, state funding must be contingent on implementation of measures by system owners.

MSD Director Sullivan stated that there are 700 community public water systems regulated by the state and federal drinking water acts and 71 municipal wastewater systems that discharge to surface waters and those are regulated by EPA. NH's municipal storm water infrastructure was constructed decades ago with the objective of flood prevention and water quality impacts not considered.

Southern NH is already encountering having to get NPDES (National Pollution Discharge Elimination System) permits for storm water and currently Franklin is not a storm water community. Someday Franklin will be and will have to get the NPDES permits, mapping, adopt a storm water ordinance, master drainage study and sample out. There is current legislation to have the federal government turn this over to state level.

MSD Director Sullivan stated that the commission found that substantial investments are needed to maintain the viability and reliability of NH's water infrastructure. It was noted that few municipalities have saved sufficiently to meet asset renewal needs and address unanticipated issues. It is estimated that NH's water infrastructure investment needs will be about \$2.9 billion with wastewater needing \$1.7 billion of that number.

MSD Director Sullivan stated Franklin's water system has many generations of pipe like stove pipe, wood pipe, asbestos pipe, ductile iron, iron pipe and some pvc. The sewer system is almost all clay pipes in six (6) foot sections pieced together with occum stuffing that deteriorates over time. Almost all of our pipe for water, wastewater and drainage are antiquated.

MSD Director Sullivan stated that funding for each dept. has about a \$300K shortfall as that money would have gone into retained earnings. The retained earnings in the water dept. is about \$302,222. Both systems are extensive with 27 miles of sewer collection with 1886 connections and 57 miles of water pipe, 5 tanks, 3 well fields, 5 pumping stations, water treatment plant, 2422 connections, 858 gate valves. There are not enough customers and it is disproportionate to the amount of infrastructure that is in the ground so it reflects on the rates and ratepayer. Compounding the problem is there is an increase in expenses in both departments. The costs to operate have risen 42% since 2003. Sewer is charged based on collection charges, which is the water that goes through the meter, and with more people conserving less water is coming through.

MSD Director Sullivan stated that their focus has been on safety, water quality and wells. If the wells aren't maintained with adequate production there will be serious problems meeting demand with is 580K gallons a day. Each system also faces constant changing regulatory requirements. Last December they looked at fire hydrants that are on private property which can become a liability due to water quality. MSD will offer a service for a fee to inspect and flush those private hydrants.

Sewer Department

MSD Director Sullivan stated Franklin is a one of the ten (10) member communities of the Winnepesaukee River Basin Program (WRBP). WRBP has 64 miles of collection system and it is 80% federal funded, 10% State funded and 10% municipality funded. There was a formula created back then but it is now outdated and water consumption is down. The board is working with DES to recalculate the formula as Franklin is one of the higher rated communities. The WRBP has its own issues such as ownership issues and the rate allocation formula. They are looking to take over all the waste water facilities and to change the rate allocation formula and make it more equitable. 61% of Franklin's sewer budget goes to the state and Franklin retains 39%. The money that goes to the state

helps fund the debt fund service which helps fund the treatment plant. WRBP is also looking at the condition of the piping system.

MSD Director Sullivan stated that the Inflow and Infiltration (I & I) Reduction Program study is underway and an RFP was put out in December. The new rate allocation will be based on flow, strength and capacity of the plant. If Franklin does not reduce I & I, we could be facing paying more money than it does now. MSD Director is chairman of the board and is steering them away from that to capacity but there are communities paying less than they should be. Mayor Merrifield asked MSD Director Sullivan to clarify the RFP. MSD Director Sullivan stated the RFP was to hire a company to do a study of the I & I on the city sewer collection system. They have hired a company and the survey is underway. There are 8 flow meters currently in the ground and track where the issues are. Once the sewer system assessment is done the idea is to go after USDA funding or low interest loans through the rural program for repairs.

MSD Director Sullivan stated revenues are down 5,055,133 cubic feet which equates to an annual decrease of \$316,957. This decrease is due to vacancies and consumption and conservation of water. This decrease becomes a burden to the rate payer.

MSD Director Sullivan stated there was important sewer work underway. A proactive approach has been taken over in the past five (5) years with smoke testing old pipe focused on pre-1980 pipe (all downtown roof drains are connected into the sewer system), education outreach was done on the bills and he has taken a more active role with WRBP.

City Manager Dragon asked if MSD Director Sullivan could give an update on the WRBP in becoming a public utility as the state is saying if the communities convert to a public utility they would have to buy it from the state. City Manager Dragon stated that doesn't make sense as the communities have been paying for it so it is owned by the ratepayers but the New Hampshire AG disagrees. The next step would be to see if a legislative solution would need to be sought. Last year Senator Hosmer went for a legislative solution to be able to spend some of the money accumulated to go to the next step to look at and evaluate the different governing options for the system and the statute has been changed successfully so they can move to the next step.

MSD Director Sullivan stated that the WRBP was able to get the legislation to change the statute so they can spend their own money. There are other changes in the legislature to change the maintenance and operation of WRBP. They are pursuing it and in stage 2 you have a few options: to leave it the way it is (as the state says it is trying to improve how they operate) or enhanced status quo meaning public utility authority would be created taking over assets and ownership for no cost. They are looking to put forth legislation to get the utility given to them as the system has depreciated so much it isn't worth anything. WRBP stance contradicts the NH Attorney General and they will bring it through the legislative process.

Councilor Desrochers stated if the state takes over the waste water treatment plant are they really going to fix it or just patch it. MSD Director Sullivan stated either way the ten (10) communities are

going to pay for it regardless if they stay with the state or become a public utility authority. WBRP feels they are being over charged 2% every year and if they become a public utility is the best cost savings. Councilor Barton asked when will the study be completed. MSD Director Sullivan stated an RFP still needs to be created so he is thinking in about a year. In conjunction with this they are flow metering and the state has finally agreed to give there flow metering results to WBRP, even though the municipalities are paying for it. Councilor Dzujna asked has the state ever come up with the cost of the property through all this. MSD Director Sullivan stated no as they don't know what their assets are or who owns what.

Councilor Barton asked if it is taken from state control who will control it, the ten (10) communities. MSD Director Sullivan stated yes. Councilor Ribas asked if the ten (10) communities take control how would that work. MSD Director Sullivan stated it should be set up like a co-op where you have shared votes. If a community doesn't want to buy in then the community would be charged based on flow, capacity and strength.

Councilor Clarenbach stated that if you have communities that don't want this then there has to be another charge. If it is based on shares then those should be available to other communities that want growth and it won't leave a community with more shares than it wants or needs. The challenge will be the capacity. MSD Director Sullivan stated there will be governing communities and participating communities. Councilor Clarenbach stated there has to be a benefit to the full members who run it and not for just the members using it.

Councilor Barton stated MSD Director Sullivan talked about customer base and he asked will it grow. MSD Director Sullivan stated that things have changed with customers, consumption and reduction. Councilor Clarenbach stated that we have a challenge with our geographical area than what can support the number of customers. You can look at this point a few different ways like government regulations and will they reduce the compliance issues. If you look at Franklin's structure and the line extension up Pleasant Street and Prospect Street that was due to the sewer treatment plant and do we look at the water system and trying to compact it to make it a smaller area as the cost are only going to go up. Mayor Merrifield stated that we have a system that is bigger than the customers on it so strategic advancement can also be helpful.

Councilor Barton asked how much will the Catch Housing Development help for use. MSD Director Sullivan stated that the consumption would be estimated at 384,000 cubic sq ft. Councilor Barton then asked about federal money. MSD Director Sullivan stated there is no federal money as it is through the state drinking water fund and that is where the federal money is. There are no grant monies for water without it having a match.

Water Department

Councilor Giunta stated that this is a problem that we face as we always assume people will buy more and we project higher and when the consumption falls the model falls apart. He asked if there is a new model. MSD Director Sullivan stated that the multi families are a drain on the city in all areas

like solid waste, police, fire, water, waste water and code enforcement with their non-compliance. Multi families are being charged \$30 availability charge and a one family house being charged \$30 availability charge. The change should be to look at availability not consumption. We could look at restructuring the availability charge and it would help alot. You would look at the property classification and charge by unit. Councilor Ribas ask if he wanted to phase this in over time. MSD Director Sullivan stated no he wants to go for it.

Councilor Clarenbach stated that he is ok with the rebalance to see if it is over 10%. There won't be a change if this number is not over the 10%. Mayor Merrifield stated the data will be important. Councilor Desrochers stated that you have to remember that multi families' average income is \$42K and average rent is \$650 and people can't afford more costs. MSD Director Sullivan stated that the only place he sees is with the availability charge. Councilor Wells stated Sanbornton has a sewer system and they charge by the bathroom. When they are charged from the state they divide that by the number of bathrooms and the customer pays that number. MSD Director Sullivan stated that he will look into it and bring back some numbers.

MSD Director Sullivan stated there are two (2) challenges in water as water consumption is down 4,752,912 cubic feet a year which equates to a loss of \$286,682. The first challenge is we have a failed well which is offline, acme 2, and we don't have to go to DES as we are grandfathered which will save us \$250K. We are just redeveloping the well in the same place for about \$240K. It is an absolute necessity to have that well repaired. The second challenge is we need to change the pressure reducing vault on Pleasant Street and this is in the budget. It is antiquated and subject to failure and when it fails it will be a liability and safety issue. Those are the last two big jobs that are left. We will be forced to do some pipe projects in the future, and those have been identified, at a cost of \$200 per linear ft and we have 57 miles of pipe.

Councilor Wells stated he read through the documents and it stated there needs to be \$500K -\$1M of improvements, so when does that have to been done and where is the money coming from. MSD Director Sullivan stated it has to be done right away, as the city can't not be without a well source. If the Franklin Falls dam fails we cannot start the plant. The vault is subject to failure and has been put off for 14 years but that is included in the budget. We are also applying for the Clean Water State Revolving Fund loan and we will be able to get back \$56K in interest forgiveness. We are under \$200K so go with a 10 yr amortization schedule and build that into a state revolving program rather than having to come up with the money upfront. We can't involve the state as they would want control over the well. One project is funded through the state drinking fund and the other as a capital project in the existing budget. Councilor Clarenbach stated it would cost \$60.2M to replace all the pipe. MSD Director Sullivan stated the customer base cannot support this. Just like with the roads Franklin has 62 miles of road and it has the same problem there isn't the customer base so the general tax base doesn't pay to maintain the roads and equipment.

MSD Director Sullivan stated we are doing the best we can with the crew we have to be compliant and save money by looking at the projects to get the best bang for the buck. We are forced to do capital projects due to the age of the system. We have very limited personnel and we are reactive

more than we are proactive and we run everything to failure due to the lack of revenues. Councilor Ribas asked about the Sanbornton well that was stated as a capital project. MSD Director Sullivan stated that is an ongoing project. It is from the 1940s and has 40 well points and we will have to replace the pumps at some point. We try to do four (4) a year and the pumps have just been rebuilt for the last time. It will cost about \$7K per pump and is an ongoing issue.

Councilor Giunta stated that the Exxon settlement has been settled and NH got \$350M and that has gone into the trust fund. We need to get in contact with Senator Morris from Southern NH so we can get on their radar. Mayor Merrifield asked who the oversight board is. MSD Director Sullivan stated he tried to get on that board of 15 members. From the audience, Leigh Webb, stated that a lot of this money is being used to clean up sites so not sure how much is left.

MSD Director Sullivan stated he has 2 people in mechanical garage, 4 in buildings and grounds with one placed at Bessie Rowell, 4 in solid waste, 5 in highway taking care of 62 miles of road, 4 in water, 2 in sewer and 3 in administration. Every division is challenged and we do the best we can. We need each division and with 84 catch basins to be rebuilt and the aging equipment it is just hard and we do the best we can with the least we have. MSD Deputy Director Barry stated there are a lot of challenges in the community and the crews have great ideas to help save money.

City Manager Dragon echoed what MSD Director Sullivan has said that the city faces a lot of challenges and all departments help each other as frugality drives innovation but she remains optimistic. We have been thinking outside the box for so long that new ideas are starting to slow but there is a light with the economic development and Northern Pass in the future will change those dynamics.

Other Business

City Manager Dragon stated the tax credit application that was awarded through FBIDC for the downtown façade improvements an event will be held on May 1st from between 12:00-3:00 pm in the downtown to celebrate the organization who bought the majority of shares. The joint finance committee is tomorrow and it will probably be the last meeting due to the upcoming budget meetings. Superintendent LeGallo gave us their budget document and the cover sheet doesn't give a ton of information but the school is about \$1.1M over with matching revenues and expenses. City Manager Dragon stated she asked Superintendent LeGallo what that means and he stated that would be 20-25 teachers so she asked him what would the structure look like. Superintendent LeGallo stated some of the classes would have 30 students and some maybe 20 to 25 and at the high school some maybe a handful. She asked him to bring that to the Joint Finance meeting.

City Manager Dragon mentioned that Superintendent LeGallo said that the school board has no desire to move forward with financial consolidation. He stated that the chair will not be planning to bring the vote up until after June when the budget process is done. City Manager Dragon mentioned to him that was unfortunate as that is some revenue that they could put towards there \$1.1M shortfall. One of the changes they have proposed is eliminating the grants administrator and having

the business administrator take that over and that will impact the numbers. The pre meetings with the superintendent and business administrator are not productive although there are cordial conversations. City Manager Dragon stated that on a separate piece of paper it shows the schools \$1.9M in grants and they are not included in the budget. She stated she had asked if it will be in their budget but got no clear answer and that is a problem as the public doesn't understand their budget. Councilor Zink asked if the expenditures that are also on this sheet are nowhere in their budget and City Manager Dragon stated that is correct and this is a problem as it is difficult to track.

Councilor Giunta stated that last year the council was criticized for not supporting the school but their cost per student number is artificial because they are not showing all the money correctly. City Manager Dragon stated that Superintendent LeGallo said they have made the change on the DOE25. Councilor Moquin stated that is a question to be asked at the JTF meeting as if they have calculated the pupil cost real number. She stated that as a citizen looking at their budget is very confusing and you can't get a straight answer from anyone. City Manager Dragon stated on their revenue sheet is showing that they are anticipating a carryover \$200K from their end of year budget. The point is that there is still money left even after the hardship they were stating. Councilor Wells asked what is it about gross budgeting that they don't understand as it is the law. Mayor Merrifield mentioned that DOE has guidelines to do a budget.

Councilor Zink asked if the council doesn't reach the school's deadline of May 12 will they notice 20-25 teachers. Are there any meetings being held between now and May 12? She stated she feels there needs to be one or two meetings to see if there are any creative or innovated ways to look at this. Mayor Merrifield stated the council should all think about that and look at our schedules and will talk about it at our meeting next week. City Manager Dragon stated she thinks that is a good idea but she doesn't manage the school but she would like to see what the structure would look like. Councilor Moquin stated that her daughter takes French online as there is no flexibility in the schedule. Councilor Clarenbach stated that the school board won't cut the high school because they are afraid of losing accreditation so you will see those cuts at the other schools.

City Manager Dragon stated that financial consolidation is the accuracy and transparency of the information and the school board is afraid of losing control. Councilor Dzujna stated he would like to see a vote from the school board on this.

City Manager Dragon stated that she has given the council an updated Northern Pass agreement. Northern Pass stated they do not want emergency personnel to enter beyond the gate without them but after a discussion they have put something in there to indemnify the city regarding this.

Motion to adjourn made by Councilor Clarenbach and seconded by Councilor Desrochers. All in favor; meeting adjourned at 7:54 p.m.

Respectfully Submitted,

Lauraine G. Paquin