

MUNICIPAL SERVICES COMMITTEE MEETING MINUTES

June 9, 2010

Present: Councilor Jay Bowers (Chairman), Councilor Scott Clarenbach, Councilor Ted Starkweather, Clayton Gassett, City Manager Elizabeth Corrow, Finance Officer Judie Milner and MSD Director Brian Sullivan

Jay called the meeting to order at 8:05 a.m.

1. Review of proposed FY 11 Water Budget: Brian noted that Water Department revenues are based on projections of water consumption. Water consumption is evaluated and estimated based on what was actually billed out for the prior fiscal year. Revenues are level funded for FY 11 based on FY 10 consumption.

Water Expenditures are level funded with the exception of personnel related costs. There is no proposed rate increase. Brian noted that encumbrances cannot be carried over in the water and sewer fund, thus, the Capital Outlay line item has been re-appropriated. This line item includes site work and storage building construction costs for relocation of the Water Department garage. Brian also pointed out that the City Council had previously awarded the bid to disassemble and reassemble the garage building, acquired by Public Service of New Hampshire from the CVS store site, and these costs are in the FY 11 budget.

Also noted was the progress of the Water Treatment Plant and that building design drawings are 50% complete, with bids to be put out in August. Jay noted he would like to have a ground-breaking ceremony and all concurred.

Also explained by Brian is that the interim SRF (construction) loan and the USDA loan, for the Treatment Plant project, are included in the FY 11 budget.

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2. Review of proposed FY 11 Sewer Budget: Brian reviewed Sewer Fund revenues and noted that revenue projections are based on what was billed out over a 12-month period. Scott noted a difference in cubic feet billed between Water and Sewer. A discussion took place and it was noted that there are 2,292 water customers versus the 1,832 sewer customers, thus, revenue would be less for the Sewer Fund by about 3 million cubic feet to be billed out. Judie pointed out that the Sewer Fund expenditures are eating into retained earnings by about \$65,000. As a result, it was noted that the fund is in need of a rate increase on the disposal charge from the current \$4.52 to \$4.78 per 100 cubic feet. This calculates out to a 5.68% increase. Basically, the increase is due to a smaller sewer customer base than water customers, coupled with the need to address the lack of retained earnings in the Sewer Fund.

Brian explained that, overall, the Sewer Fund expenditures are mostly towards operating the Winnepesaukee River Basin Program (WRBP), of which account for 76% of the total Sewer Budget. It was pointed out that Franklin is under-funding the cost to operate its sewer collection system and we operated in a reactive mode.

Ted pointed out that little planning had been done in the past to address the long-standing issue relating to under-funding the City Sewer Fund.

Scott voiced the concern of Inflow and Infiltration (I&I) and the need to address this problem now, prior to potential reallocation of WRBP cost-sharing, due to its flow metering program.

Brian expressed the concern that if nothing is done to reduce I&I and if reallocation of cost-sharing is based on flow, Franklin could be faced with a significant rate increase as a result of the actual amount of sewerage the City of Franklin is sending to the plant. Judie had prepared a projection that if our share of Operation and Maintenance increases from the current 15% to 30%, it would result in an 88% rate increase from \$4.79 to \$8.52 per 100 cubic foot (disposal charge).

Brian noted that the WRBP level funded their budget and, thus, there was a minimal increase to the sewer fund budget overall. Again, it was stressed that the rate increase is due to less number of customers in the Sewer Fund and reduction in retained earnings, which both have. Water consumption is the basis for sewer revenues and Brian explained that the amount of cubic foot disposal (per 100 cubic feet) is also down, in projection, by about 3 million cubic feet.

Jay noted that there was \$25,000 budgeted in the Sewer budget for I&I evaluation but this was not enough money to do a full I&I reduction program. Brian pointed out this was the next item on the agenda. Jay suggested moving on to Item # 3.

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3. Funding of an I&I Reduction Program Preliminary Engineering Report in FY 11 Budget: Brian explained why this is so important. The first reason being because of the potential increase in Franklin's share to operate the WRBP, as a result of the flow metering project currently underway by WRBP and the second is due to the NPDES permit requirements issued to the City by USEPA.

Brian presented a calculation if we were to add \$100,000 to the proposed FY 11 Sewer Budget and add that to the \$25,000 already requested for I&I reduction, it would result in a new sewerage disposal charge of \$5.45. This \$125,000 would allow the City to perform a Preliminary Engineering Report to be used as a basis for grant to loan funding from USDA. Elizabeth explained that City Staff had been to USDA and we could qualify for up to 75% grant funding.

Brian explained this is very similar to the process we just went through acquiring our recent 50% USDA grant for the Water Treatment Plant. The idea being the rate increase would cover the cost of the Preliminary Engineering Report and once that is complete, using the \$125,000 for loan payment on a 20-30 year loan. The full Committee agreed this should be discussed when the Sewer Department budget is presented.

Scott suggested that another alternative is to spread the \$125,000 needed for the study over a two-year period and do a rate increase each year. Brian suggested another way is to get through the FY 11 Sewer Budget and then take the rate increase for the Engineering Report up separately, once the budget is approved.

Brian and Elizabeth discussed the magnitude of an I&I reduction program and advised that if we requested 4 million dollars in total project cost and we acquired a 75% grant, the City's bond payment would be about \$80,000 per year, for 20 years. Jay stressed that this aspect needed to be pointed out that once the rate increase is done and the Preliminary Engineering Report and grant/loan application submitted to USDA, the \$125,000 appropriated could be used for the bond payment in future years.

Elizabeth suggested the City get ahead of the curve and implementation of cost reallocation, as a result of the WRBP flow metering project. It is her feeling that if we delay I&I reduction, we could be faced with the consequence of higher sewer rates and still not having accomplished anything. The rest of the Committee agreed.

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3. Funding of an I&I Reduction Program Preliminary Engineering Report in FY 11 Budget (continued):

Ted pointed out that a decrease in flow could result in significant reallocation of costs if the WRBP goes to metering, as a method for cost allocation amongst the member communities.

Brian expressed the concern on reallocation of cost and the resulting consequences if we took no action. His greatest concern is if 50 million dollars of Treatment Plant improvements are performed and our portion is greater due to no effort to reduce I&I, the City sewer customers could be faced with even larger increases. This led the group into a discussion relative to Agenda Item # 4.

4. Review of proposed WRBP Treatment Plant, Capital Improvements Program and its impact on future sewer rates: Brian expressed his concern relative to WRBP future expenditures and NHDES Staff who operate the WRBP Treatment Plant incurring a large amount of debt which, in turn, will spike sewer rates. He also expressed his concern that most of the City's sewer budget goes to the WRBP and the WRBP Board is only an Advisory Board. Scott compared the WRBP to the County, in that we can do little to control costs.

Brian and Elizabeth stressed that other communities needed to team up with Franklin and have WRBP Staff explain the CIP, long-term debt service projections and how this will affect each member community's payments. Scott suggested having Executive Council representatives also present at the meeting, as all final requests for borrowing needed to be approved by Governor and Council.

Elizabeth stated that there has been some initial discussion about changing the role of the Advisory Board to have voting capability in approving budgets.

The Committee agreed that the entire WRBP member communities, their Staff and Governing Body should allow WRBP Staff to make a full presentation on the proposed CIP program and how it will affect community's costs under the current method and after flow metering.

Brian stressed the importance of such a meeting as each community will need to increase its rates to meet future debt service assumed by NHDES to operate the Treatment Plant.

Elizabeth suggested Franklin hosting such a meeting. She agreed to also talk to Laconia City Manager about organizing such a meeting in the near future.

All agreed that this discussion needed to take place during sewer budget and a subsequent workshop may be needed.

continued

5. Other Business:

Ted inquired about the status of recycling / curbside trash collection. Brian explained we are still focusing on the green lid recycling containers and in the next couple of months, will ramp up enforcement on the trash containers and determine if there is full compliance.

Ted made a motion to adjourn at 9:20 a.m. Scott seconded. Motion carried. Meeting adjourned.

Minutes taken by Brian Sullivan

Minutes typed by: _____
Marie G. Creasey

BJS:mgc