

MINUTES OF THE WATER & SEWER COMMISSION MEETING
TUESDAY, JANUARY 10, 2017
3:00 P.M.

Members Present: Walter Liff, Chair, John Ireland, Member, Normand Houle, Member, Richard White, Member, Reg Whitehouse, Alternate

Also Present: Deb Knowles, Accountant, Christiane McAllister, Accountant, Anne Miller Secretary

Members Absent: David McGuckin, Ex-Officio Select Board, Chet Fessenden, Alternate, Steve Tabutt, Supervisor of Public Works

Mr. Walter Liff called the meeting to order 3:04 p.m. and asked the public to sign in.

1. Work Session for FY 2018 Budget

Mr. Normand Houle guided members through a worksheet reflective of past budget, actuals, and year-to-date income and expenses for water and sewer in order to project the FY 2018 budget.

Expenses

Support Staff (Water & Sewer):

- Add Minutes Secretary (Anne Miller) and commensurate employee costs as line item expense
- Mr. Liff and Select Board to revisit the allocation (currently 5% water, 5% sewer) of Select Board Secretary's (Pam Cullen) compensation and commensurate employee costs to Water and Sewer expense.

Bank Fees (Water & Sewer):

At the Auditor's request, both the Enterprise (Operating) Fund and Trust Fund are shown on the same balance sheet. "Bank Fees" is an expense of the Trust Fund, paid by the Trust Fund. Ms. Knowles confirmed that the expense should not roll into the Water Service Fee.

It is Ms. Knowles' understanding that the bank, Cambridge Trust, is no longer charging fees, therefor there is no projected expense for FY 2018.

Attorney's Fees (Water & Sewer):

Previously, attorney services were tied to sewer issues. The current estimate reflects work done by Donahue, Tucker & Ciandella on the water study, water quality, and negotiation of the water rate increase from the City of Portsmouth. The legal fees are planned as Operating Fund expenses. Mr. Houle proposed that, for FY 2018, the legal work associated with the conveyance, estimated at \$10,000, be split evenly between Water and Sewer at \$5000 per budget, unless they are specifically tied to one or the other.

Engineering Services (Water & Sewer):

While the Sewer budget carries an expense line for "Engineering Services", the Water budget does not. Mr. Richard White proposed adding an "Engineering Services" line to the Water budget in order to accommodate possible future need.

The Sewer budget's FY 2017 estimate reflects an aberrant \$130,000 ± for "Engineering Fees", which, Ms. McAllister explained, resulted from a \$100,000 ± expense for the Underwood Study that was charged to the Trust (but is included on the worksheet at the Auditor's request to combine Trust and Operating balance sheets.) The remaining \$30,000 ± was paid from the Operating Fund, despite the intention that it be paid from the Trust Fund. Noting that future conveyance-related engineering expenses would be paid from the Trust Fund, the Sewer budget's "Engineering Fee" for FY 2018 was kept at the originally projected \$2500 as an estimate of Operating Fund expenses only.

Mr. Houle stressed the importance of paying Trust Fund expenditures with the Trust Fund.

Professional Services-Other (Water & Sewer)

Actual expenditures in previous years were at or near zero.

Accordingly, FY 2018 budgets were reduced:

Water was reduced from \$3000 to \$1500, in part to distribute the previously budgeted \$3000 across "Professional Services-Other" and newly added "Engineering Fees" at \$1500 each. Sewer was reduced from \$4000 to \$1500, in part to match the Water budget for same.

Purchased from Portsmouth (Water & Sewer)

"Water Purchased from Portsmouth" (Water expense) and "Flow Charges Purchased from Portsmouth" (Sewer expense) should reflect a five percent increase. Neither the increase, nor the accuracy of the estimated increase will impact the service charge calculation because the expense from Portsmouth will be balanced by a correlate adjustment to the Residential Sales items on the revenue side of each respective budget.

Water Testing (Water)

Mr. White noted that the budget reflects standard, twice per year testing. Because of current water quality issues, additional testing should be anticipated. Members increased the FY 2018 budget from \$4600 to \$6700.

Regarding the response to the recent poor water quality reports, Mr. John Ireland and Mr. White proposed re-testing water at each meter pit, where water enters the New Castle system.

Equipment Maintenance (Water)

Mr. Houle asked Ms. Christiane McAllister to follow-up with Steve Tabbutt for a description of the item and a proposed budget.

Hydrant Rental (Water)

The cost of hydrant rental from the City of Portsmouth will increase to \$150/hydrant. The cost for the 24 rented hydrants will be budgeted at \$3600.

Remote Sensing of River Road Station (Sewer)

This new line item was added to the Sewer budget in the amount of \$1000 and Mr. Houle expressed his preference that this charge be readily identifiable in the budget.

Other Budget Issues

Manhole Repair

Mr. White noted that the Capital Improvements Committee made provisions for a street paving program. Because the Sewer study identified the need for manhole repairs, it would be efficient to maintain the sewer system by replacing the deficient manholes in coordination with the street paving schedule to avoid duplicate expense and effort. Members responded that these expenses would likely meet the criteria for a Sewer Trust Fund expense, useful life of at least five years at a cost of more than \$10,000.

Water Purchased but Not Billed

Mr. Houle explained that Ms. Knowles and Ms. McAllister analyzed the differential between the water that the town buys from Portsmouth and the water the town bills its water customers; the best estimate is 6458 units annually, or 23% of total units purchased from Portsmouth. This tracks closely with the Underwood Water Study estimate of a 21% difference between the supplied water from Portsmouth and the “consumed” water by the town. At the present water rate of \$3.35, the cost is \$21,634.30. Distributed over 311 water user accounts, the per user cost is \$69.56 annually, \$23.18 per trimester. If this charge were to be included with the Service Fee, the fee would increase by 37%, to \$85.27 per trimester.

Mr. Houle requested that the budget reflect “Water Purchased but Not Billed” as a line item expense.

Reasons for Water Purchased but Not Billed

Municipal Water Use

Ms. McAllister noted that municipal water use should be borne by the taxpayers, rather than paid for by the Enterprise Fund. A water charge to the town for the municipal water use could be included to recover that outlay from the Enterprise Fund.

Mr. Houle expanded on other municipal water uses that could be charged to the town: firefighting, fire training if the location of the training is within the town water area (as opposed to the City of Portsmouth water area), hydrant flushing, and ice rink filling. The revenues to the Enterprise Fund from these charges would reduce the cost of water purchased but not billed. It is anticipated that the revenue from municipal use will not be significant.

Older, Slower Meters

Based on Steve Tabbutt’s observation, it is possible that older meters, that are believed to run slower, are underreporting the actual water usage. Mr. White suggested the Commission consider a plan for older meter replacement.

Leakage

A leak identified by Underwood as a loss of 50 gallons per minute was recently repaired, although Steve Tabbutt described the leaked water to be only four or five gallons per minute.

Implications for Service Fee

Mr. Ireland and Mr. Houle noted the possible need to adjust the Service Fee mid-year if the Portsmouth water purchase outpaces the town water revenue.

Mr. Ireland suggested holding off the Service Fee increase for six months to minimize further cost increases in the near term, following the impact of the current increase. Mr. Houle pointed out that the Service Fee impact won’t take effect until FY 2018, first billed in August, 2017. Because this unbilled usage is not included in the FY 2017 water service fee, the result will negatively impact the water budget beginning in April, 2017 until such time as the proposed Service Fee increase is implemented.

Mr. White proposed that the full projected cost of “Water Purchased but Not Billed” be folded into the Service Fee effective in FY 2018 to reflect actual costs. After discussion, members agreed to reflect the full anticipated cost of water purchased but not billed, \$21,600, as an expense item in the FY 2018 budget.

Capital Improvements to Minimize Water Purchased but Not Billed

Mr. White suggested that Steve Tabbutt propose a meter replacement plan, possibly beginning with a trial to determine the extent of meter inaccuracy. If after testing meter replacement, possibly with 25 replacement meters, there is no evidence of inaccuracy, then the focus would turn to leakage. Neptune Meters, the town's meter supplier, would likely be willing to propose a test scenario.

Sewer Units Charged by Portsmouth but Not Billed to Users

Mr. Houle tolined the analogous issue on the sewer side:

- The calculation results in a negative total of 5211 units.
- Is likely impacted by the U.S. Coast Guard which is billed for a flat 1896 units annually, despite the probability that that far exceeds their actual usage.

Members agreed to continue the budget discussion following regular business at the January 11, 2017 meeting of the Water & Sewer Commission.

2. Adjourn

Mr. Houle moved to adjourn the meeting and Mr. Ireland seconded. Motion carried, unanimously.

The meeting adjourned at 5:09 p.m.