FINAL APPROVED
Water & Sewer Commission Minutes
Wednesday, March 13, 2019 - 3:00 PM

Members Present: Normand Houle, Chair, John Ireland Vice Chair, Walter Liff, Richard White.

Also in attendance: Ben Jankowski, DPW, Christiane McAllister, Accountant, Bette Jane Riordan, Recording Secretary.

Chair Houle opened the meeting at 3:00, noting the presence of a quorum. Chair Houle asked members to check to see who in the community may be interested in serving as an alternate member to the Water & Sewer Commission to fill the remaining term of Clint Springer who recently passed away. Dave McGuckin suggested that Norm make an announcement at Town Meeting. Dick White said that it should also go onto the Town website.

1. Public Questions: None

2. Individual Petitions: None

3. Approve Minutes of February 13, 2019.
The Commission reviewed the minutes and made some edits, and after discussion, Dick White made a Motion to Approve the February 13, 2019 minutes of the Commission as amended. John Ireland seconded, and the Motion carried. Chair Houle also noted some additional corrections to the January 2019 minutes regarding the Dunbarton Scale of prioritization of projects. These corrections will be made.

4. Financials:

a. Review approve, and sign checks.
Christiane reported that because the accounting software system was down all day there are none; however some bills have come in so Chair Houle will come in and sign once the system is up and running.

b. Accountant's Report:
Christiane reported that there was an error in the January billing commitment for sewer, which needs to be corrected. The accounts receivable needs to be credited in the amount of $4,445.00. The issue involved a seasonal irrigation meter at Duck's Head, which should not have any sewer assigned to it. We do not refund this error, but adjust the billing commitment.

Checking Account Balances:
Water: $183,944.72
Trust fund balance as of end of January: $143,794.96
Sewer: $271,623.25
Trust fund balance as of end of January: $39,561.97

5. Selectman's Report: None: Selectman Frampton absent
Chair Houle reordered the Agenda and proceeded to New Business.

6. New Business.
a. Billing Cycle Change.
Chair Houle distributed a handout of a draft motion crafted by Christiane. This matter was briefly discussed at the last meeting and Chair Houle sent an email to the members outlining the subject. The members reviewed the handout, which stated that the Commission was going to consider and then vote upon a motion to modify the trimester schedule of water and/or sewer billing so that all three combined billing cycles fall within one Town fiscal year. For customers receiving water and or/sewer services from the Town, usage between April 1 through June 30 will be billed in July: July 1 through October 31 in November, and November 1 through February 28/29 in March. For customers receiving water service bills from the City of Portsmouth, New Castle sewer usage will be calculated over the same periods but invoiced one month later, i.e. August, December and April. To implement this change, the last period of service for FY 19 will be shortened to three months, namely April, May and June 2019.

After discussion, John Ireland made *a Motion to Modify the trimester schedule of water and sewer billing so that three combined billing cycles fall within one fiscal year.* Dick White seconded, and the Motion carried.

Chair Houle stated it is his intent that a note go out with the next bills explaining the change to all users. He explained that there are still going to be three billings, but one of them will be shorter, April, May and June 2019. Chair Houle will work with Pam Cullen to update the ordinance. (Pages 7 and 16) Christiane will draft the notice to the users. Dave McGuckin confirmed there will be an explanatory note mailed out with the next bill.

b. WBTS Grease Trap Inspections.
Chair Houle had conferred with Steve and Ben from DPW and confirmed that an unannounced inspection had not yet been done. They indicated the best time to do this is in the spring.

Ben, who was present, stated they just completed the inspection this morning, checking both grease traps, and noted that the system appears to be working. Ben also noted that they have not observed any problems at Quarterdeck Lane.

Dick White stated why its important to do these inspections, namely, that grease can collect on the sewer lines, and cited the example of the Highliner Foods plant issue in the City of Portsmouth, where a major grease build up caused major problems. That is how a lot of these grease issues got into the ordinances. Dave McGuckin recalled past problems with Bosen's Hill awhile back when the Town had not been checking the Wentworth situation.

Chair Houle asked about the temperature issue, where it could not exceed 140 degrees. (See page 13 of the ordinance under prohibited uses.) A brief discussion ensued about how best to enforce this. Where in the system would be the best place to check? John Ireland suggested they check at the pump station. Dick White feels the Town has the right to go to their grease trap. He also pointed the difficulties of accessing for inspection purposes. He suggested checking the manhole

at Spring Hill. If there were grease build up there, that would be a red flag. Dick noted that by the time it hits the pump station the temperature would be below 140 degrees. Dave McGuckin noted the restaurants at the Wentworth do most of their business in the warm months, so that perhaps a good time to check is during that period, or late summer, early fall, so inspect both just before and after the heavy usage time period. John Ireland said the ordinance allows the Town to check as many times as they deem appropriate.

7. Continuing Business.

a. Review and finalize the FY 20 budget.

The Commission began its review of the revised budget as outlined in the four pages of handouts from Christiane. (Version 3/13/2019). She went on to explain what the documents covered. The first two handouts are the Sewer Fund Revenues breakdown, and the third and fourth handouts are the actual budgeted categories/items comparing last fiscal year; actual FY 18; this year (FY19); Select Board FY 20; % of budget change FY 19 to FY 20; FY 19 year to date (Dec. 31, 2018). Commission members were asked if there were any questions. She explained the appropriations portion (Expenses) has been completed with perhaps a few changes to come, which allowed her to begin the revenue portion, which she could begin only after setting the rate. She explained the handouts relating to rate setting, which show various options depending on what amount is set to put into capital reserves. That amount, along with other factors will provide the new rate needed for both water and sewer. She indicated she reviewed these documents with Chair Houle who asked her to prepare the various scenarios.

Discussion covered the following **water** budget issues:

- First corrections were made to the Water Budget dealing with the Water Quality Report. They considered reducing the amount budgeted from $1500 but it was agreed to leave as proposed. Furnishings and equipment were discussed. Dick White reminded them that a new computer was discussed for the new water/sewer clerk, so the amount budgeted was confirmed to include the cost for both water and sewer budgets.

- Water Purchased for Projects was discussed (Water purchased from Portsmouth). Christiane noted that Selectman Stewart is working on this issue with the City of Portsmouth. Chair Houle stated this could be complicated regarding the 15% issue. This has to do with metering and the water project effects. This relates to how Portsmouth would bill New Castle. This percentage could change depending on outcome of negotiations.

Christiane stated that based upon the budget as proposed, the new rates would be as follows:

Water: $7.97 per unit ($12,500 capital reserve)
Sewer: $20.49 per unit ($78,000 capital reserve)

- Discussion next centered on the various scenarios of how the proposed rates change depending on which amount of capital reserves is agreed to. Chair Houle stated that the main topic today is settling upon the amount of capital reserves in order to set the rates.

Chair Houle stated that he has no problem with $7.97 per unit as the new water rate. It is a minimal increase. ($7.36 to $7.97). This would be with a capital reserve of $12,500.

There being no opposition from other members, Chair Houle made a *Motion that for FY 20, the Water and Sewer Commission maintain a water capital reserve fund of $12,500 resulting in a rate of approximately $7.97 per unit.* Dick White seconded, and the Motion carried. Chair Houle noted that the rate might change slightly depending on what the City of Portsmouth does.

Discussion covered the following **sewer** issues:

Chair Houle explained where the $78,000 figure for capital reserve came from. Previously it was $61,000 subsequently reduced to $10,000. In an attempt to claw back from the reduction, he stated he took the $51,000 that was there, divided it by 3 resulting in $17,000. Add the $17,000 to $61,000 and you get $78,000. The result is a rate of $20.49 per unit. He discussed the possible effects of paying back the note. Christiane further explained this issue regarding the six payments involved. There will not be any relief the effects of the repayments until FY 2022. We will have paid off the note.

Chair Houle then reviewed the various scenarios involving how the sewer rate would change depending on the amount of capital reserve set. He spoke of his belief of the need to accumulate $3,000,000 over the course of thirty years, as Underwood had previously suggested that figure as needed to adequately fix the sewer system. So Chair Houle explained that was where the initial $61,000 @ 3 percent figure came from. That is why he proposed the $61,000 figure initially.

Dick White began a discussion to answer the question of why we are raising the money, and what does the capital reserve fund get used for. He understands the need to have money in the bank. When we finish payment in FY2022 we should keep putting more money away in capital reserves. Keep the $90,000 and take a look at what is needed to be done like keeping the manholes watertight. There is also the critical issue of the Sawtelle Bridge. This led to a myriad of subjects and opinions.

One subject raised by Chair Houle concerned identifying what part of the rate is marked for capital reserve, which may help to explain to customers why the Commission is setting money aside for needed projects. He also stated he had addressed this in his submission to the Town Report.

Dick White began a discussion on some scenarios. He noted that we have $39,000 available. How would we deal with a serious break in the sewer line right now? Christiane stated we have some money available in the “fund balance”, which the Town could ask the NH State Department of Revenue (“DRA”) to access in an emergency situation.
Christiane proceeded to explain the concept of a fund balance (a budget that we are always measuring against) and the fact is that fund is actually “excess rents”, and is a governmental accounting tool. The fund balance actually is a record of the net at the end of the budgetary year. It is not cash. The only accessible cash is the amount in the checking account. It is the amount of funds left over after a legally binding budget is done at the end of the fiscal year. It is similar to the mechanisms used to set the annual tax rate. Christiane went to great lengths to explain

this, and offered several examples of how it works, in order to dispel the initial reaction from members that somehow this was extra cash which Water and Sewer could access to meet and address various unexpected emergencies. She suggested that a fund balance policy should be established.

Dick White concluded that the money we raise through our rate setting system in good faith needs to be spent, and that we need available monies to deal with the unknown. Dave McGuckin stressed the need for the Commission to go with the lowest sewer capital reserve option for the proposed budgetary year in order to lessen the impact on customers, as there will be several warrants requiring expenditure of funds considered at this year's Town Meeting.

After further discussion, Chair Houle asked for a Motion regarding the sewer rate. Dick White made a *Motion to approve $15,000 as the capital reserve amount for FY 20, resulting in a sewer rate of approximately $18.77 per unit.* John Ireland seconded and the Motion carried.

Dick White suggested looking at the fund balance at the end of May to determine if additional funds should be put in the new ratepayer funded capital reserve fund. This could be done in June before the end of the fiscal year. He also stated that the Town is facing a number of serious issues this year including funding for the Fire Department.

Other Business.

Update on the lift station hatches for River Road.

Ben reported that it has been manufactured, and will be installed shortly.

There being no further business to come before the Commission, a Motion to Adjourn was made by John Ireland, and seconded by Dick White. Motion carried.

Meeting adjourned at 5:31 PM.

Respectfully submitted,

Bette Jane Riordan