

MINUTES OF THE WATER & SEWER COMMISSION MEETING
WEDNESDAY, FEBRUARY 8, 2017
3:00 P.M.

Members Present: Walter Liff, Chair, David McGuckin, Ex-Officio Select Board, John Ireland, Member, Normand Houle, Member, Richard White, Member, Steve Tabbutt, Supervisor of Public Works, Reg Whitehouse, Alternate, Chet Fessenden, Alternate

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

Members Absent: none

Mr. Walter Liff called the meeting to order 3:00 p.m., asked the public to sign in, and, with the members' approval, re-ordered the agenda to allow for the early departure of Mr. Steve Tabbutt.

1. Steamboat Lane Pumping Station

Mr. Liff, noting the town's ostensible focus on water issues, suggested that significant concerns with the sewer system may be even more pressing. Mr. Tabbutt described the problems encountered at the Steamboat Lane sewer pumping station over the past week. The level indicator control, driven by an air bubbler system, hasn't worked properly. Because the level wasn't reading correctly, the unit was pumping when levels were too low. Several times a day over the past week, the alarm company has reported a high water alarm. Mr. Tabbutt would find that it was pumping air and required bleeding. After tweaking the air diaphragm and pressure, it is now maintaining, although it's not set at the correct parameters.

Adding to the operational concerns, Mr. Tabbutt explained that because the pump station is so antiquated, expertise and parts are hard to find. In this instance, it took a week of trial and error tweaking before the pump could be stabilized.

Because, getting the parts for the antiquated system is difficult, Mr. Tabbutt suggested an upgrade to, at least, the Steamboat Lane pump station. He noted that the Steamboat Lane station was the least expensive of the pump stations to replace. Having met with engineers and City of Portsmouth representatives to identify the best solution to the problem, Mr. Tabbutt described the suggestion for submersible pumps in the wet well on racks that can be jacked up and down to service, with an above-ground panel next to the generator, and took measurements to determine that it was feasible. The projected cost for the Steamboat Lane improvements is significantly lower than that of the River Road or Boatswain's Hill pump station improvements.

Members expressed concerns about the difficulties and safety issues arising from the Steamboat Lane station's underground and middle of the road location. Mr. Tabbutt assured the members that he always has someone with him when he enters the pump station, because, he noted, it is dangerous to be underground, bleeding the severely rusted pump. Mr. Liff urged the Commission to prioritize funds to the pumping station for the operability of the pumping station and the safety the Public Works crews.

Mr. David McGuckin responded that the apparent focus on water, at the expense of sewer, is due to the time spent on the City of Portsmouth partnership aspect of the water project. In fact, Mr. McGuckin stressed, the sewer issue is a Select Board priority. They intend to present a warrant article at Town Meeting for sewer improvements, either separately, or in combination with water improvements, with budget to be determined. They are exploring an alternative sewer improvement plan, with the counsel of town resident Dylan Kimmel, to resolve the sewer problems at an anticipated cost of less than \$1 million, significantly less than the \$2 million plus recommended by Underwood Engineering (UE).

Mr. Normand Houle cited the estimated costs for sewer pump station work from the UE sewer study: \$470,000 for Steamboat Lane, \$700,000 for Boatswain's Hill, \$870,000 for River Road, totaling \$2,040,000. Focusing on the possibility of an imminent failure of the Steamboat Lane station, Mr. Houle asked how funds are accessed in extremis, absent a warrant. Noting the existence of the Sewer Trust Fund, and possibly a general emergency fund, Mr. Houle asked whether those funds would be available and could legally be used short term to improve the Steamboat Lane station, with the intent to replenish the expended funds with income raised via warrant at the upcoming Town Meeting.

Responding to Mr. McGuckin's question about whether he could identify a short term solution to the Steamboat Lane problem, Mr. Tabbutt will speak with Scherbon Consolidated Inc. (SCI), a pump system supplier used by the Wentworth by the Sea Resort, to assess the viability of a fix. Mr. Richard White agreed with the approach, noting that the first step is to change out the control system, which is a stand-alone system that can be tied into the pump. This should be done soon because the larger infrastructure work won't begin until the summer, at the earliest. With an estimate of feasibility and cost, the Select Board can proceed with a short term solution.

It is Mr. Houle's understanding that the trust funds are controlled by the Select Board. Mr. White added that replacement controls should be viewed as a maintenance item, not a capital expense. The next step is for Mr. Tabbutt to secure an assessment from SCI. With a cost estimate, the Select Board will consider its options, including funding. If the expense is determined to be an

operating expense, then the Commission has the authority to approve the work as an operating expense.

Mr. Liff asked Ms. Christiane McAllister about the sewer account, which has an ample balance (\$383,192 as of January 31, 2017). Mr. Houle reminded members that the account balance is high because it was the recommendation of the Treasurer, Tom Smith, to leave excess funds in the Operating Account rather than move them to the Trust Account where they would be subject to investment risk. Ms. McAllister cautioned that the cash balance doesn't necessarily equate to available funds.

Mr. McGuckin clarified that the purpose of the Operating Fund was to manage funds for operating expenses. Initially, funds were kept in the Operating Fund in order to get a determine an appropriate minimum balance to absorb cash flow inconsistencies before transferring them out of the Operating Account. But, during that period, the infrastructure issues became apparent, and, with the expectation of looming high costs, the funds were kept in the Operating Budget in order to ensure their availability in situations such as this.

Members unanimously voted their approval to have Mr. Tabbutt contact SCI to secure a cost estimate for a fix to the Steamboat Lane pump station controls.

Mr. White suggested a contingency plan to approve an expenditure for the fix prior to the March meeting, cautioning that there is a likelihood that the current fix won't last even for a month. Mr. Houle pointed out that Mr. Tabbutt has the authority to expend an amount up to \$5,000 without prior approval of the Commission. Mr. McGuckin suggested that if the cost is considerable, upward of \$20,000, it should be reconsidered in light of the larger pump station infrastructure scope of work. Accordingly, if the estimate is high, he proposed that Mr. Tabbutt seek approval before expending the funds. Mr. John Ireland stated, and Mr. Tabbutt affirmed that, level controls should stand alone and be reusable with a new system.

Mr. Liff excused Mr. Tabbutt who departed the meeting at 3:30 p.m.

2. Checks and Account Balances

Mr. Liff read the checks for the Commission's approval.

The sewer invoice from the City of Portsmouth, \$42,255.76 (for 2,582,100 gallons), is approximately \$10,000 higher than the average. Last month's invoice was \$34,965, which was within the normal range. This abnormality doesn't make sense in the middle of winter. Ms. McAllister recounted the process. Mr. Tabbutt provides the pump station logs which get forwarded to the City of Portsmouth. Ms. McAllister calculates the differential between the

current and prior month's reading and applies the \$12.24 sewer unit rate to arrive at the monthly total. It is difficult to match the time frames for water and sewer readings to calibrate usage, except retrospectively for the year. Flow volume for the last billing cycle was not readily available.

Mr. Houle suggested that the Commission ask Mr. Tabbutt about the circumstances of last month's high usage, and questioned the role and value of the recently added remote sensor in the usage calculation, given that Mr. Tabbutt continues to collect records manually. Commission members agreed to hold the payment until the amount can be verified with Mr. Tabbutt. Ms. McAllister will hold the signed check.

Mr. Ireland made a motion to approve the checks as read. Mr. White seconded. The motion carried, unanimously.

Ms. Christiane McAllister read the account balances as of January 31, 2016:

Sewer Checking Account: \$383,192

Water Checking Account: \$157,403

3. Approve Minutes from the January, 2017 Water & Sewer Commission Meetings

Draft minutes from the January 10, 2017, January 11, 2017, January 24, 2017 meetings were distributed.

Mr. Liff called for a vote to approve the minutes of the January 10, 2017 meeting as amended, and received unanimous approval.

Mr. Houle made a motion to approve the minutes of the January 11, 2017 meeting as amended. Mr. Ireland seconded. Motion carried unanimously.

Mr. Ireland made a motion to approve the minutes of the January 24, 2017 meeting as amended. Mr. White seconded. Motion carried unanimously.

4. Old Business - Pump Station By-Pass Bids

Mr. McGuckin provided an update on the by-pass work. UE is preparing to send out bids for this work because, with a 30-day requirement for the contractors, the hope is to be ready to go when the ground thaws.

5. New Business

a. Bill Stewart- Request to Adjust Sewer Bill

Mr. Liff described a request received from resident Bill Stewart to forgive the sewer charges associated with a recent water line break at his home and noted that it is the standard practice of the Commission to forgive the associated sewer charge since the leaked water doesn't enter the sewer system and would not result in a charge to the town. He proposed that an average of Mr. Stewart's past water usage be used to estimate the unleased water usage to arrive at a revised estimate of sewer use and that the invoice be revised accordingly.

Mr. Houle motioned to revise Mr. Stewart's sewer invoice as described in accordance with precedent. Mr. Ireland seconded. Motion carrier, unanimously.

b. Budget

Mr. Houle began with an update on the outstanding budget issues:

Hydrant Maintenance: The Commission had questioned whether \$500 sufficiently covered the town's cost for servicing the hydrants owned by the Wentworth by the Sea Master Association (WBTS MA). Mr. Tabbutt, reported Ms. McAllister, believed the amount to be accurate. Mr. McGuckin noted that a team consisting of the Assistant Fire Chief and a Public Works employee performs winterization and additional hydrant checks for WBTS MA annually, therefore advice about the cost and scope of the service should be solicited from the New Castle Fire Department (NCFD).

Ms. McAllister indicated that Gary Rumph, Property Manager for WBTS MA, agreed that the current \$500 fee is low. With estimated labor costs of \$1600 annually, calculated as two full days per year with two employees for a total of 32 hours at a salary plus benefits cost to the town of \$50/hour (estimated) plus materials cost for antifreeze, Mr. White estimated that the current fee is significantly undervalued. And, importantly, as the provider of maintenance service to a private system, the town takes on the liability for the hydrants. Further, he noted that the town should not be touching the line through Duck's Head since it is owned and operated by the City of Portsmouth. Mr. McGuckin will speak with Mr. Tabbutt about the budget item.

Income to Expense Gap: Mr. Houle observed that the income from this service is an important offset to the rate payer's service fee. Ms. McAllister, underscoring the importance of finding added income, noted that the entire shortfall of income to expenses (in the current budget version) is \$20,000. Conversely, the current version of the sewer budget shows \$85,000 of income in excess of expenditures. Mr. Houle described that the laborious task of FY18 budget development results the added scrutiny made necessary by zero based billing.

Ms. McAllister described that as an enterprise fund, the revenues that are raised on the budget must be equal to the total appropriations and suspects that the "Transfer in from Sewer Trust Fund" item was used to balance the income and expenses. Because a *negative* amount is shown

as a transfer *in* from Sewer Trust Fund, it is, in this case, showing a contribution *to* the sewer trust fund. Mr. Houle responded that that is not the correct use of the Trust Fund. Ms. McAllister, citing the earlier example of a hypothetical \$20,000 emergency repair to the Steamboat Lane pump station explained that it could not be paid from the Sewer Operating Fund because it is not an appropriated amount, but it could be paid from the Sewer Trust Account, noting that once the operating budget is set, definite limits on what can be appropriated throughout the budget year are set as well. Further revenues that cover expenses need to be identified. One source is to identify some revenues that will come from the Trust Fund, which is the essence of how the transfer line item was utilized in prior years.

Because of the difficulty identifying the exact revenue amount to match the expense projection, Ms. McAllister believes that the previous water budget relied on the line item “Miscellaneous Supplies and Expenses” to plug in the small difference between revenues and expenses. Even knowing that the income and expenses are only best estimates, both sides of the budget need to match. In the case of the water budget shortfall, it would be objectionable to increase the already expensive (\$62.09) water service fee.

Ms. McAllister also offered that evenly splitting some projected expenses, (i.e. legal fees) between water and sewer might not be appropriate, and may, if reallocated, be a way to even out the water shortfall with the sewer surplus. Mr. Houle explained that because system conveyance is for both water and sewer, the associated costs should be equally applied.

Mr. White identified other sources of income, Trust Funds, excess funds in checking account (“fund balance”), revenue for upcoming year, and proposed that the necessary revenue be found in the fund balance. Ms. McAllister will investigate how to utilize that balance as income. However, she believes that the water shortfall should be funded with water revenues, rather than another source. The Sewer Fund excess can be contributed to the Trust Fund.

Mr. McGuckin and Ms. McAllister agreed that if, as Mr. White proposed, the fund balance is to be used to fund the water budget income shortfall, there would first need to be a review of the Department of Revenue (DOR) guidelines. Responding to Mr. Houle, Ms. McAllister explained that as an enterprise fund, the fund balance is calculated at the end of the year, and is roughly equivalent to a profit or loss. It appears that the fund balance from previous years has been left in the account. Members asked that Ms. McAllister investigate the potential to utilize the fund balance. Mr. Ireland added that, if the shortfall persists in future years, then it will need to be addressed by increased income.

U.S. Coast Guard (USCG)

As followup to the previous request to better align the USCG sewer fee with expected usage, Ms. McAllister calculated USCG previous year usage to be 920 units, which, at going rates equates to \$11,261 but under the current arrangement, they are being billed for 1,896 units, which at going rates, totals \$23,207. Mr. Houle, realizing that the USCG rate reduction was not yet reflected in the current version of the budget, noted that the USCG adjustment will affect the sewer budget surplus. The USCG sewer charge should be based on units of use.

Mr. Ireland made a motion to bill the USCG for sewer per water used, at the metered unit rate, effective with the next billing cycle. Mr. White seconded the motion. Motion carried unanimously.

A future reduction might be realized if the USCG installs a deduct meter to quantify the water usage that doesn't return to the sewer system.

Next Steps

Mr. White asked, and Mr. Houle clarified, that the Commission has not yet publicly committed to the \$85 service fee. That number may change as actual experience accrues. More likely the calculation will be made in July.

Recognizing that these budget issues require additional study, Mr. Houle suggested that he and Ms. McAllister further work on the budget before reconvening with the Commission for its approval.

c. UE Alternative 1D Discussion

Mr. Liff described that following the Commission's discussion concerning the recommendation of UE Alternative 1E (16 inch pipes) for water infrastructure improvements, Mr. Houle circulated a draft summary of the Commission's position. Subsequently, Mr. McGuckin circulated a letter from UE to the Select Board describing their rationale for moving ahead with Alternative 1D (12 inch pipes). As a result, the Select Board indicated their intent to move forward with Alternative 1D.

Mr. Houle commented that the Commission did not provide a letter to UE, but it was, in fact, a draft to the members of the Commission and noted his disappointment at not having been consulted before the draft was shared. However, he welcomed substantive facts and logical conclusions which might clarify the issue specifically, UE's comment that 'if the City of Portsmouth does not install a 16 inch water main in Portsmouth, the benefit to New Castle for installing a 16 inch main will decrease.' Mr. Houle noted that he does not expect the City of Portsmouth to install 16 inch water mains and therefore withdraws his support for Alternative 1E.

Recalling the public comment at the January 17, 2017 public information meeting, that all property owners should benefit from improved flows, not only those on or near the main line, Mr. Houle voiced his endorsement for the immediate investment in looping the dead end spurs that are within the purview of the New Castle water district. The New Castle investment would include the \$3,700,000 project plus \$900,000 for the looping, for a total of \$4,600,000. Mr. Houle continued to report an email exchange with Terry Desmarais, City Engineer for the City of Portsmouth, about a newspaper report that the City is in the process of running new sections of 12 inch pipes up Peirce Island Road and eventually to New Castle, in which he asked about the timetable for the New Castle extension. Mr. Desmarais responded with a schematic showing all of the water mains for replacement. The Peirce Island work includes replacement of 1400-1500 linear feet of existing 8 inch water main with 12 inch water main, as the line needed replacement and UE recommended the increased size. The City will, over time, replace the line from Peirce Island to the Shapleigh Island meter pit, with timing dependent on many factors including Town of New Castle's decision on whether to move forward in New Castle. There may be a benefit to performing the work as a single project.

Consequently, Mr. Houle would encourage and ask the Commission to endorse any action by the Select Board that would spur the City of Portsmouth to approve the \$3,000,000 capital improvement plan for New Castle water line improvement. Approval of a \$3,700,000 - \$4,600,000 warrant at Town Meeting would be proof of town intent to move forward.

Mr. Houle withdrew his draft in favor of Alternative 1E in light of the UE response. The February 6, 2017 UE letter bolsters the argument of 1D. Mr. McGuckin clarified that he had sent the draft to UE in order to expedite the process and apologized to Mr. Houle.

6. Adjourn

There being no further business, Mr. Houle moved to adjourn the meeting. Mr. Ireland seconded. The motion carried, unanimously.

Meeting adjourned at 4:48 p.m.