



## Water and Sewer Advisory Committee May 12, 2022 Meeting Minutes – APPROVED

The Water and Sewer Advisory Committee held its regular monthly meeting at BCTV, 10 Meetinghouse Road, Bedford, NH on Thursday, May 12, 2022.

Attendees: Richard Moore (resident), Jerome Spooner (Environmental Coordinator), Danielle Evansic (resident), Becky Hebert (Planning Director), Bill Duschatko (Town Council), Scott Bourcier (resident), Phil Greazzo (Town Councilor – alternate).

Absent: Mike Sills (Resident).

### 1. **Call to Order and Roll Call**

The meeting was called to order at 7:52am by acting chairperson Environmental Coordinator Jerome Spooner.

### 2. **Approval of Minutes – March 10, 2022 Meeting**

Mr. Spooner made a motion to approve the minutes from the last meeting on March 10, 2022. Motion was second by Ms. Evansic and Ms. Hebert. Minutes were approved.

### **Approval of Minutes – March 15, 2018 Meeting**

Mr. Moore reminded the committee to approve the minutes from March 15, 2018 because it was pushed back last meeting. Mr. Spooner made a motion to approve the minutes. Mr. Moore requested 2 small changes to be made to the minutes. The decision was made to accept the changes and move forward with approving the minutes. Mr. Spooner made a motion to approve the minutes. The motion was seconded by Ms. Evansic. Minutes were approved.

### 3. **Vote Committee Chair**

Mr. Spooner spoke about long standing members Bruce Thomas and Paul Arnold, who were both the Committee Chair for a long time. Mr. Arnold stepped down in 2018 and now the committee needs to vote for a new chairperson. Mr. Spooner asked if anyone would like to volunteer or if a motion should be made to accept someone.

Ms. Hebert asked if Mr. Spooner can provide an overview of the committee, how many members and alternates.

Mr. Spooner responded that he does not know the number of alternates, he only knows of Mr. Duschatko and Mr. Greazzo. Full members include Mr. Bourcier, Mr. Moore, Ms. Evansic, and Mr. Sills who was not present. Mr. Spooner and Ms. Hebert

are also members. There are two Town Council Members, one permanent and one alternate.

Ms. Hebert asked if historically has the chair been a Bedford resident.

Mr. Spooner responded with yes, usually the chair is a resident. Mr. Spooner asked if Mr. Moore would be interested in being the chair.

Mr. Moore responded that Mr. Spooner has been doing a great job.

Ms. Herbert asked if the Committee would like to post pone the appointing and review the bylaws.

Mr. Spooner agreed with Ms. Hebert and postponed the vote until the next meeting after the bylaws have been reviewed.

#### 4. **Sewer Rates Recommendation Option**

Mr. Spooner introduced John Jackman of Hoyle Tanner and Associates. Mr. Spooner explains that he has been working with Mr. Jackman, Mr. Foote (Director of Public Works), and Ms. Penny ( Bedford Finance Director)to figure out the best rates and options for Bedford sewer users.

Mr. Jackman explains that they will be looking at the Bedford sewer rates to develop a sustainable rate for Bedford to make sure what charged is fair and equitable, meets the needs, and to prevent great fluctuation in rate changes.

Mr. Jackman continues to explain that he developed a tool for the Town to be used dynamically each year and so the Town is able to make adjustments to ensure the rates are sustainable and meet the Town's needs. The goal is to be more transparent on where the sewer rates come from and to ensure that new projects can be incorporated and adjustments can be made as needed.

Mr. Jackman explained that there are now four options and what the impact and ideas are for each option. Mr. Jackman asked the Committee if he should do a quick overview of the spreadsheet or if they would like him to get right into the data.

Mr. Greazzo and Mr. Duschatko both responded that they were not present at the last meeting but watched the recording of it and that Mr. Jackman can skip the overview and continue with the data.

Mr. Spooner explained the last sewer rate adjustment was in 2014. In 2010, the committee approved a ten percent increase each year for four years starting in 2011 through 2014. 2014 was the last year the rates were increased.

Mr. Jackman then explained that it is recommended to look at the rates every three years. Mr. Jackman focused on developing this tool so Bedford does not have to hire a consultant every three years and has worked closely with Mr. Spooner and the Finance Department to get them comfortable with utilizing it.

Mr. Jackman started his presentation of the four rate options. The first chart shows where the Town is currently at with net revenue. By 2023 the Town will be negative and will not be bringing in enough revenue to cover expenses. Mr. Jackman explains that if we do not cover expenses we will have to draw from the enterprise revenue account or the capital reserve account, which are not good practices. Mr. Jackman also mentions that he noticed the Town puts in \$300,000 each year for capital projects and is put right into the budget. This does keep the net revenue positive for a longer period of time but it draws the capital reserve down. He explains that this is why it is important to evaluate the sewer rates each year.

Mr. Jackman explains that Merrimack has been charging more and more for the sewer that goes from Bedford to Merrimack. Even though there has been increases, Bedford has not increased the fixed rate flowing to Merrimack. Mr. Jackman shows the second option would be to have 50% increase in the flat rate for the first year and a 3% increase for water usage until 2027. This option shows that the Town's net revenue would stay constant and the capital reserve account goes down slower but the net revenue builds up. Those two changes would start to stabilize the sewer rate and the net revenue would stay positive until 2030. Mr. Jackman explains that one of the concerns about this option is by having a 50% increase on the flat rate right up front but he also looked at the fact that the flat rate fee on residential is a lot less than what residents with water meters are currently paying.

Mr. Duschatko asked what the difference is between the two rates.

Mr. Jackman responded that the yearly flat rate for residential is \$385.88 and the average yearly rate for residential on a water meter is \$635.88.

Mr. Duschatko responded that the 50% change should not be a big deal because of the benefits of the subsidy over the last 15 years.

Mr. Jackman responds correct and the feeling is that their rates have been subsidized and as the rates have increased they haven't been supporting the administrative costs of running the sewer system.

Mr. Duschatko asked about the real cost of running the sewer, isn't that a troubled area that cost a lot in maintenance.

Mr. Spooner responded yes, it is all a pump system that is difficult to maintenance because it is a full pressure system. There has been a lot of issue with the Pearson Pump Station with hydrogen sulfide and gas built up as well, which is corroding the

inside of the manholes and structures and it is degrading the pumps a lot faster than at the other pump stations.

Mr. Duschatko asked if that is being address.

Mr. Spooner responded with yes.

Mr. Moore asked if those are annual rates and if the are spread out monthly.

Mr. Spooner responded yes, they are billed quarterly. The flat rate is \$96.47 per quarter.

Mr. Moore responded that it would be about a \$50 increase per quarter.

Ms. Hebert asked with a 50% increase, is there a plan to communicate this to the Greenfield Farms residents in advance so they are not surprised or caught off guard.

Mr. Spooner responded yes, there will have to be a public hearing.

Ms. Hebert responded that they may not be watching the public hearing and asked if there could be a mailing that it sent out.

Mr. Spooner responded yes, a mailing can be sent out. As the Committee moves forward it still needs to be voted upon. Mr. Spooner explains that he does not want to affect the fees until the first quarter of 2023.

Ms. Penny explains that it is important to address these rates because during the budget process for this enterprise fund the Town always anticipates taking from the fund balance for repairs that are not anticipated because we have to budget. Municipal accounting has to have an appropriation to spend, so we have large appropriations for anticipated repairs that have to be offset by revenue. Ms. Penny explains that as Mr. Jackman has already shown that the Town will be losing money from the fund soon and the fees need to be addressed. The fund has approximately a \$5.8 million net position but that will go down if the rate is not addressed soon. Ms. Penny also says the second point that has not been discussed yet is the capital reserve portion what the town might do with the capital reserve funds that exist for sewer. If any changes, repurposing, establishing, or combining occurs it needs to be addressed ahead of the budget process with public hearings, so these changes would be recommended for 2023.

Mr. Jackman continues to explain that they really wanted to balance out the accounts more. The committee recommended to maintain the net enterprise fund equal to approximately 9 months of operation. The net enterprise fund should be able to cover 9 months of operation and anything over that 9 months of funds would be transferred to the capital reserve account at the end of the accounting year. This will keep both accounts positive and balanced.

Mr. Jackman shows the committee the third option. This option would keep the enterprise fund balance at one million dollars. Anything over the million would then be transferred at the end of the accounting year into the capital reserve. This would balance the amount out but the million dollars should increase over time as the operational budget increases as well.

Mr. Duschatko asked why there are such severe losses in the last five years.

Mr. Jackman explains that when they put this model together, they dropped everything at the end. He recommends they reevaluate every 3 years, so the outer years are not relevant. It does not take long for the balance to go negative if it is ignored. One big capital project can change everything.

Mr. Jackman continues to explain option 3. Anything over a million dollars would go into the capital reserve account and it shows that the capital reserve account will go up for a few years and then start to decrease again. Mr. Jackman explains that they did not look at any other projects other than Manchester and that this chart is very dynamic and things can change. It is important that the Town does not lose the current good standing that we have now by using the \$5.8 Million dollars in the capital reserve account. This option would have a 3%-6% increase until 2026 and then a 3% after that for water users and then 50% increase and a 20% increase for flat rate residential.

Mr. Jackman moves on to option 4. He explains that previously the committee had asked if there was a gentler way to increase the flat rate fee instead of doing 50% all at once. Option 4 shows over a 4-year time period the increase would be 40%, 15%, 15%, and then 10%. This shows that Pennichuck's fixed rates would catch up in the 4-year period and they would not be hit with the 50% and then 20% which is a little bit of an easier transition. After 2025 the increases would be equal to the water users increases so they would be paying approximately the same.

Mr. Duschatko asked what the Town's risk of Merrimack increasing their rate would be in that period of time.

Mr. Jackman responded very good.

Mr. Spooner explains that Merrimack did not increase their rates from 2020-2021. The town used to be charged \$67.75 and it was increased to \$76 and in 2023 they are going to increase the charge to \$82.

Mr. Duschatko asked if this is figured into the chart.

Mr. Jackman responded yes, there are some increase in there, but that's why the 3-year evaluation is important to make these adjustments. There will also be adjustments for Manchester fees as well. Manchester's increases have typically been 2% each year but this year it is increasing to 3.9%. Operation costs are dramatically

increasing and it is important how the Town responds to this because it comes directly out of the budget. Mr. Jackman explains that you can look back in the past and make projections but you can't know what will happen in the future, which is why the 3-year evaluation is so important. This spreadsheet will allow the Town to adjust all of the costs and plan for the future.

Mr. Duschatko asked where these numbers exist in the spreadsheet.

Mr. Spooner explains that the sheet shows the 11.8% increase for Merrimack in 2023.

Mr. Jackman shows the committee where the rate increases for Manchester and Merrimack are located and how it can be changed.

Mr. Duschatko stated that if the Town does nothing with the rates we will already be behind by 12% for Merrimack's charges.

Mr. Spooner responds with yes; the Town is already behind by 12% since 2020 and will be behind by another 11.8% in 2023 if the rates are not changed. This is a good exercise to maintain every 3 years to decided whether the plan needs to change for the 4<sup>th</sup> year or if they can stay the same.

Mr. Jackman responds by explaining if Mr. Spooner does capital projections over the next 5 or 6 years he can incorporate them into this tool. There is a section and tab for every capital project.

Mr. Duschatko asks if there are any projection for new additions and is the Town charging the right amount of money for new hookups.

Mr. Spooner responds with the accessibility fee? He explains that the first part of the plan was to work out the budget side of this and then he will look into adjusting accessibility fees as well. They need to decided if they want to change the fees or keep it the same.

Mr. Duschatko responds by saying there are a lot of things coming down the line that needs to be done soon, otherwise the Town is just giving away tax payers funds.

Ms. Hebert asked if we know how the Town's rates compare to other communities.

Mr. Spooner responded with yes, the State of New Hampshire and the University of North Carolina Financial Committee came out with a report in 2021 of New Hampshire white water and wastewater rates. The New Hampshire average bill for residential sewer at 6,000 gallons per year is \$712.32 and the commercial rate per year is \$5,280.85. This puts Bedford below the New Hampshire average and in about 2 or 3 years after the rate change we will be close to average.

Mr. Jackman responded that New Hampshire average will also go up each year.

Mr. Spooner explains if you look at option 4 the rate is still below \$700 in 2024. The rates will be about average in 2025.

Mr. Jackman continues with explaining option 4. Residential water meter sewer rates will increase 4-6% until 2026 and then drop to 3% and then Greenfield's rate will increase by 40%, 15%, 15%, and 10% over a 4-year period and then after that the increase will match the water metered rate increase. Mr. Jackman says that this option is based off the Town maintaining the capital reserve account around \$5 million assuming no there will be no capital projects over the time period. It shows that the Town can maintain a healthy amount of \$5-7 million so the Town is not starting to pull away from financial stability.

Ms. Evansic asked Mr. Spooner what capital projects are coming online in the next few years.

Mr. Spooner responded by saying that he has not had time to think about that but one capital project is to recoat the siphon station. It is starting to show some wear from the hydrogen sulfide gas on the concrete and the aggregate is starting to come through. Mr. Spooner also explains that they did work on a capital project this year which included changing 18 manholes along the Merrimack River that now lock and seal. If there is a flood, no water will infiltrate into the structure and a special tool is needed to open them up. The 18 covers cost \$26,000 to replace. Mr. Spooner's plan next is to work with Mike Trainque from Hoyle Tanner and Associates to work on the capital improvements project starting with coating the siphon station and then working his way out from there. After that is done he is planning to camera the pipes to see what other sections need to be done and come up with a cost.

Mr. Jackman explains that the other part of this meeting was to discuss two different capital reserve accounts and properly naming them. Accessibility fees should go into an accessibility reserve account including accessibility fees collected in the past would need to be moved over. Capital projects including lining sewer systems, fixing the siphon station, inspecting and maintaining the siphons under the river that are old would come out of the accessibility fee reserve because of the way the funding needs to be spent.

Mr. Duschatko asked if that is a statutory requirement.

Mr. Jackman responded no, but after looking at some of the accessibility fees challenged in court guidelines have been created.

Mr. Jackman continues explain the second reserve account which would include any funds that not spent in that budget year and anything over the enterprises revenue account that the Town wants to move over. Two accounts would help make it clear how funds are being spent but Ms. Penny would have to set this up for the Town.

Mr. Jackman begins to wrap up his presentation and makes a recommendation to do a 3% increase on residential water metered rates because the goal is that the rates are reevaluated in 3 years and then the town be better understanding of how the funds are being spent and see if there is a need to increase higher. Mr. Jackman's second recommendation for the flat rate fee is to do the 40%, 15%, 15%, and 10% over a 4-year period to allow the residents to budget into the changes. The final decision will be made by the Town Council but this is what the Committee recommends. Mr. Jackman also recommends the renaming of the two capital reserve accounts. One for the accessibility fee capital reserve account and one for the enterprise capital reserve. Mr. Jackman asked if there was anything else to go over.

Mr. Spooner responded with yes, the transfer of the \$300,000.

Mr. Jackman responded yes, the funds from the revenue balance and maintaining it at \$1 million and transferring the rest to the enterprise capital reserve account at the end of each accounting year.

Mr. Duschatko asked how Ms. Penny feels about that.

Ms. Penny responded that she needs to digest it and look into it. It won't impact bond ratings negatively because it is still part of net position but it is a different way to budget for unanticipated repairs. The Town is currently appropriating about \$850,000 per year and instead of doing that those things that come up would come out of that capital fund. This would decrease the Town's overall appropriation vote at a Town meeting even though the general fund does not fund the enterprise fund it is still part of the list.

Mr. Duschatko asked if putting a cap on it or a minimum cause any problems.

Ms. Penny responded we want to make sure we can satisfy cash flow. Ms. Penny said she would want to review the nine-month plan carefully.

Mr. Duschatko asked if it would be better to specify nine-month projects, he gets concerned with hard numbers.

Mr. Jackman responded with you are right, because the budgets will go up and it wouldn't be right to keep it at a hard number.

Mr. Spooner asked if anyone else has any questions about the other of the options.

Ms. Hebert asked what is the process moving forward, are you looking for a recommendation from the Committee.

Mr. Spooner responded yes, we are looking for a recommendation from the Committee today. The Department of Public Works likes option 4 the best for 6% for

water metered rates and 40%,15%, and 15% for flat rates but to ensure it is looked at after the third year and reevaluated.

Ms. Herbert asked Mr. Spooner if the Town Council will hold a public hearing to modify the rate or is it done at the recommendation of the Committee.

Mr. Spooner responded that it is not done by recommendation the council will have a public hearing. Mr. Spooner explains that this is just an advisory committee, they cannot implement anything.

Mr. Jackman explains that he recommended the 3% increase but after listening to Mr. Spooner it would be a 6% increase to maintain a healthy capital reserve so that it is not decreasing.

Mr. Duschatko asked if that is across the board, will it drop in 2026.

Mr. Jackman responded yes, it will drop in 2026 to 3%. The reason for this is that some loans are being paid off, some of the Town's debts are disappearing but in reality, more debts will show up.

Mr. Spooner explains that option 4 is where the Department of Public Works is leaning too. Mr. Spooner asked how the Committee feels about option 4, should they make a recommendation to accept it or should they table it and come back next month.

Ms. Evansic states that she likes option but because of the range of 4-6% is it possible to get that protected.

Mr. Jackman responded that it is not a range, it is option 4 with an increase of 6% until 2026 and then it will drop to 3%.

Mr. Spooner said that it will be reevaluated in 3 years and it will not come in to effect until 2023. The town is passing on the costs that are given to us to the users in Bedford to recoup our money.

Ms. Evansic explains that considering the supply chain issues continue to back things up and impact production it is appropriate to look at increase costs.

Mr. Spooner states that even with the increase by 2024 we are still below the New Hampshire average and the rates have not been adjusted since 2014. The biggest thing to look at is the flat rate fee.

Ms. Hebert states that she likes the 40%, 15%, 15%, 10% as opposed to the 50%.

Mr. Duschatko asked if it possible to meter each house in Greenfield Parkway.

Mr. Spooner responds that he would have to check with Pennichuck Water Works on that. It would depend on their administrative information as well.

Mr. Duschatko asked if they have meters coming in.

Mr. Spooner responds that he assumes so, yes. He said that it has been asked before but they do not send a spreadsheet only Manchester does that.

Mr. Greazzo responds that Manchester bills on usage and extrapolate to wastewater and if you use a lot of water and not a lot of waste you get a deduct meter and get a more accurate reading.

Mr. Duschatko states that if the residents see that they have been paying almost double what Greenfield Farms pays to be on the Manchester system they will not be happy and when the residents in Greenfield Farms have to pay a comparable rate to Manchester they will not be happy about that either. Mr. Duschatko explains this is why he asked about the meter because it seems like it should be an easy fix.

Ms. Penny responds by saying if Pennichuck gave them the spreadsheet it would be easy.

Mr. Spooner agrees with Ms. Penny and explains that the spreadsheet from Manchester takes him a few hours to go through every quarter.

Mr. Greazzo asked if the spreadsheet is something the Town Manager could acquire. He also asked who made the request for the spreadsheet and did not receive it.

Mr. Spooner responded that he did not make the request but that he was told in the past that they would not send it to us which is why they did the flat rate fee.

Ms. Penny said that there is most likely a charge for it but it still might be worth it. She explains that they must have the data, which would solve the disparity between the two sections of the Town.

Mr. Duschatko explains that he just wanted to give his feelings about how he thinks the general public might feel when they hear about it.

Mr. Spooner explains this is why they came up with several options. It was eye opening. Mr. Spooner offers a motion to accept option 4.

Mr. Moore moved this motion.

Ms. Evansic asked if it is worth the time to investigate what it would be if we did a parody with the water billing compared to a flat rate fee.

Mr. Spooner responds that it can be done but the volume metric charged will still be increased. If Mr. Spooner can get the spreadsheets from Pennichuck Water Works then the motion to accept option 4 can be made but the flat rate fee can be dropped and change it to a volume metric charge. Option 4 can be amended after.

Mr. Duschatko seconds the amended motion.

Mr. Spooner asked if all approve. The rest of the Committee approved. The motion to accept option 4 was approved with adjustments with Pennichuck.

Mr. Jackman states that they also need a vote on approving the two capital reserve accounts.

Mr. Spooner responded that he thought that was part of option 4. Mr. Spooner makes the motion to rename the two reserve accounts, one for accessibility fee and one for capital investment accounts.

Ms. Evansic seconds the motion.

Mr. Spooner asked if the Committee is in favor to approve. The motion was accepted.

Mr. Spooner motions to maintain the one million dollars revenue balance and transfer the rest to the capital reserve account.

Mr. Jackman states that the Committee wanted to change that to nine months that way there would be variation.

Mr. Greazzo asked if the Finance Director wanted to look at that more.

Mr. Spooner deferred the motion to next month's meeting.

## 5. **Set Next Meeting Date**

Mr. Spooner set the date to June 9, 2022 at 7:45am.

Mr. Spooner explains that he will look at the bylaws for the chairperson but he believes it should be a resident.

Ms. Herbert asked if a copy can be sent to the group.

Mr. Spooner responded yes, if he finds it. Mr. Spooner makes a motion to adjourn the meeting.

Mr. Greazzo makes motion to adjourn the meeting at 8:54am. Mr. Evansic seconds the motion.