

TOWN OF EXETER, NH
WATER & SEWER ADVISORY COMMITTEE
MAY 8, 2012

DRAFT MINUTES

1. Call to Order

The Committee meeting was called to order by Bob Kelly at 6:30 pm in the Nowak Room of the Town Office. Other members of the Committee present were, Selectman Representative Frank Ferraro, Paul Scafidi, Boyd Allen, and Jim Tanis. Absent was Committee Chairman Gene Lambert.

2. Review and Approve Draft Minutes of April 11, 2012 meeting

Mr. Allen points out a few typos in the draft minutes. As they are merely typos and do not actually reflect any changes to the content of the minutes, the Committee agrees they can be submitted to the recording secretary after the meeting.

Mr. Ferraro moves to approve the April 11, 2012 draft minutes pending the revision of the typographical amendments. Mr. Tanis Seconds. Vote: Unanimous. Mr. Scafidi and Mr. Allen abstain. Motion Carries.

3. Water/Sewer Bill Abatement Requests and/or Discussions with Customers

There are no requests for this evening.

4. Regular Business

A. Water and Sewer Engineer's Report - Mike Jeffers

Mr. Jeffers presents a summary of the Engineers Report. He presented a printed copy of the report to the Committee members. He summarizes his report for the Committee. He offers an update from the EPA Administrative Order relating to the grease interceptors. He relays that one key element of SOF is FOG. Six more businesses have been visited and the results will be entered in the same manner as the businesses previously visited.

He offers a summary on the delinquent Water & Sewer bills. In the effort of collections, One hundred seventy-three letters have been sent out. Shut off's began on May 3, 2012. There are currently two buildings that are still disconnected. The two units are currently in bankruptcy and neither is occupied.

Mr. Jeffers advises the Committee that the No. 3 water pump has been replaced by Layne Christensen in the effort to upgrade the Surface Water Treatment Plan. The cost of the pump including installation was a little over \$24,000.00 which is in the budget for the item. He wishes to thank the Committee for approving the project. Mr. Jeffers advises the Committee that the activated carbon is now located downstream from the chemicals that oxidize manganese. It's his goal to have zero outbreaks over the summer. As for the alkalinity system, he reports the water is very soft with very low pH. The system has been designed and approved by DES. The DPW is about to begin accepting bids for the project and expects to stay within the budget. Mr. Jeffers informs the Committee that the media supplier for Filter Unit No. 3 is currently behind schedule. It's likely that it will be Memorial Day before the project is complete.

Mr. Jeffers reports that the second pump at the Water Treatment Webster Station has been rebuilt and the project stayed within the \$13,000.00 budget. The third pump at the station will be rebuilt next year. At that point they will go into asset management. This will help extend the life of the pumps by rebuilding them at the expected life span.

Mr. Jeffers confirms that the ventilation in the Grit Building located at the DPW is not fit. The design was state of the art and to code twenty two years ago and is currently not. Quotes are currently available for that project. The project would consist of a contractor putting in a second fan and additional duct work.

The discharge permit for the Wastewater Treatment Plant has been issued to allow testing of the water surrounding the lagoons, as they are unlined. As discussed in the previous meetings, the monitor type had been confused. The monitors are actually inclinometers. Eastern Analytical has bored and developed the monitors and samples will be available soon and submitted to determine if we are leaking lagoon water. Mr. Tanis wonders if there was monitoring prior to the installation of these monitors. Mr. Jeffers explains that the inclinometers were mistaken for groundwater monitors. The new monitors will have designated locations close to the current inclinometers so the map will essentially match. He believes the monitors are within twelve feet of the inclinometers. Mr. Kelly wonders if the word "unlined" is verbiage of DES. Mr. Jeffers confirms it is. Mr. Kelly is surprised to hear that DES is now identifying the lagoons as unlined. He reflects on the initial installation of

the lagoons when they were state of the art technology. Mr. Jeffers explains that when the lagoons were installed, the standard material used for lining was natural material such as clay. The definition has changed. Unless the lining is PVC, the lagoon is considered unlined. Mr. Jeffers announces he can relay water quality news next month. Mr. Ferraro asks what the time frame on the ground water treatment plant RFP will be. Mr. Jeffers believes it will be before the end of June. He also clarifies that the RFP is actually an RFQ. The DPW will begin interviewing engineers in June with the hope of starting the design work by late June or early July. The Governors Council meetings are few and far between and they haven't gotten to Exeter yet. In Mr. Jeffers' opinion, since there is no actual funding yet, he is in no rush to spend this kind of money. Mr. Kelly asks Mr. Jeffers to clarify the RFQ. He wonders if the DPW is hiring a contractor for the design without asking for a proposal. Mr. Jeffers indicates the desire of the DPW is to interview a candidate and determine if they're qualified. If they are qualified, the cost will be negotiated. If an agreement can't be reached, another candidate will be interviewed. Mr. Kelly feels this is the proper approach to this type of position.

Brian Griset, Exeter resident comes forward to inquire about the delinquent billing of the two unoccupied properties. He wonders what the outstanding amount due is and if the properties have been liened properly. Mr. Jeffers indicates there was some discussion between Accounts Receivable and the Billing Clerk. Typically, if it's less than \$1,000.00 in arrears, the Town would be losing money if they lien the properties. He also advises he is unsure on the exact amount that is currently owed for these properties. Mr. Kelly offers his appreciation to Mr. Jeffers for getting the budget together. He asks Mr. Jeffers to bullet all items, or identifies it in one way or another from now on. Mr. Jeffers agrees to try.

B. 2nd Public Hearing for Proposed New Sewer Regulations - Mike Jeffers

Mr. Jeffers has the proposed changes to the Sewer Regulations with him. He has consulted with Mr. Griset in regard to the terminology. It seems to be very detailed and the verbiage is correct and appears to be exactly the same as they have been proposed for months. Mr. Kelly wonders if there is public access to these changes. Mr. Jeffers indicates the changes to the Sewer Regulations are available on the website and the language used is at the discretion of the DES. Mr. Griset advises he has reviewed the language and it appears as though the changes requested to separate the two categories with a distinct differentiation between Water and Sewer is made. Mr. Griset believes the changes have been agreed to by DES and the Town and the proposed language was brought into concurrence with the last policy.

Mr. Kelly asks about the operations procedure to getting the ordinance approved. He wonders if after this public reading, the Selectman will vote on the proposed ordinance. Mr. Ferraro points out that the last ordinance the Board of Selectman was read three times and adopted after the third reading. Mr. Kelly feels that the effort that the Town has made, with added input, is sufficient, and if the decision by the Committee is to adopt the ordinance, then that is acceptable. Mr. Ferraro clarifies that if the Committee is satisfied with the changes, they should make the recommendation to the Board of Selectman for approval.

Mr. Allen moves that the Committee make a recommendation for Selectman Approval of the proposed updated sewer regulations. Mr. Tanis Seconds. Vote: Unanimous. Mr. Ferraro abstains.

Mr. Ferraro recommends a recommendation be made by the Committee Chair.

C. Discussions of Proposed W.S Abatement Policy Revisions - WS Committee

There are none this evening.

5. Old Business

A. Continued discussion of Utility Financial Reporting Mechanisms

Mr. Kelly presents the financial reports for the committee to review for discussion. He summarizes that Mr. Tanis has some concerns regarding the budget reporting process that is currently in place. Mr. Tanis agrees he has concerns including the constant concern regarding the report that is presented by Russ Dean, Town Manager. The report Mr. Dean generates is a combined typical profit and loss report with part of a balance sheet with a number on it that no one can understand. He has created a revised version of the report and includes only a simple profit and loss statement in which he added a new row indicating the reserve based on the last audit. The report could be generated monthly and should indicate Water profit or loss and reduction or profit in the reserve. He feels the process should be the same as that being used for the ice cream stand. Mr. Tanis also indicates that the same report can be generated for the Sewer fund as well. In addition the ratios the town uses should be reviewed periodically and at the very least quarterly. Based on the Moody Bond recommendation there should currently be a ration of 1.5 to \$2,000,000 water stream. The revenue should be at least 30% more than expenses. Mr. Tanis reports that the Debt coverage ratio, based on the model would be maintained at a min of 1.25. Mr. Tanis would like to see the reports on a quarterly basis. Mr. Kelly acknowledges that the uncollected revenue column is a collections problem as

opposed to an accounts receivable problem. Mr. Tanis wishes to table this conversation to revisit in the future with the Board of Selectman.

Mr. Tanis believes that the receivables should be a separate discussion. He asks Mr. Jeffers if the town is aging the reports to 120 days, he asks what the amount is and what the strategy is to collect. He feels the amount should not be subtracted from the total revenue of Water & Sewer. Mr. Tanis summarizes his idea as a simple profit and loss statement, adding or subtracting monthly to the reserve. At the end of the year there should be a number pretty close to what's in the actual audit. Mr. Kelly reminds Mr. Tanis that Water & Sewer billing is done quarterly, and expense reporting is performed monthly. Mr. Tanis advises that this type of reporting would be categorized as encumbered expenses. Mr. Kelly points out that according to the aging report they received, the Town should be at a ratio higher than 1. Based on the forecast, the Town appears to be right as it should be. Mr. Tanis agrees. He has compared the Town of Exeter to the model of the Moody Standards. Mr. Kelly points out that this type of reporting indicates an operating ratio of around 1 to 11 and they should be around 1.3. In order to deal with this, you will need to decrease expenses or increase your revenue. Decreasing expenses is very difficult and he suspects they will have a hard time raising rates when there is such an enormous surplus in the reserve fund. He feels that in the short term, the ratio only will prove that the operating budget is very low, and there is a bunch of money in reserve. Mr. Kelly asks Mr. Tanis to define an operating budget. Mr. Tanis summarizes them as emergency operating situations for the reserve funds. He asks the Committee to decide a number that properly suits the reserve fund. Mr. Ferraro offers to help Mr. Tanis get an audit on the fund as of January 1st. He explains that the term for reserve fund used in this geographical area is "funding balance" no reserve. There is a balance sheet number available and Community Smart keeps the balance sheet active all the time. In review of the ratios, he does not feel the fund is very far from where it should be. Mr. Ferraro responds to Mr. Tanis' inquiry regarding how much is enough to keep in reserve. Mr. Ferraro believes that a percentage of the operating budget is the standard recommendation for a fund balance. He acknowledges the rate increases over the past few years.

Mr. Tanis explains that when the new rate system was being researched and observed, the ratio was around 30-60% of revenues. He feels that 60% would be a good fund balance. Mr. Kelly reflects on a similar situation in the 2000's in which analysis similar to this was performed. The benchmark at that time was determined to be \$1,000,000.00 of which \$500,000.00 was specifically designated for emergencies, thus preventing another increase to the payers. Mr. Tanis expresses his concern that the fund balance is not properly separated; all the funds are co-mingled in the general fund. The ratio reporting would print out exactly how much money is available for use by Water and Sewer only. Mr. Ferraro advises he was told these accounts are separate. The money of all accounts goes to the Treasurer for investment but each is tracked separately. Mr. Tanis reminds the Committee that if they review the budget monthly, they would have all the necessary materials to justify a rate increase if needed. If the operating ratio is continuously negative, eventually there will be a problem.

Brian Griset, Exeter resident comes forward to express his opinion on the rebate to overbilling. The refunds are not reflecting that the money came in the previous year. The total isn't really \$93,000.00. Mr. Tanis advises that this amount is for the entire year beginning in March. Mr. Griset indicates that the refunds are for only one district. District 2 just got the refunds and District 3 is next equating to around \$600,000.00. This will change the figures significantly. He reminds the Committee of the news regarding the Town of Newmarket. The capital improvement assessments were discovered to have not been placed in separate funds as required by law and only to be used for capital improvements. This was an issue on the Committee five years ago, there needed to be a clear designated separation into reserve accounts. He also points out that the capital reserve funds should not be part of the general operating budget. Mr. Ferraro reminds the Committee that reserve fund is not the correct name; it should be listed as a fund balance in the NH Municipal Accounting.

Mr. Kelly agrees the funds should be separate. He suggests that as the funds reach that designated threshold, the excess should be put into a third account for the Selectman to manage as a special account. He believes that the modification of the report is the first step toward Mr. Tanis' goal to have separated accounts. He suggests the Committee recommend to the Selectman that a report, in a format the Committee likes, is generated for review. After a few months, this topic can be revisited and redefined. Mr. Tanis offers to clean up his newly revised report and prepare a new financial schedule for the next meeting. Mr. Kelly asks him to include collections in the report and Mr. Tanis feels it should be a separate report. Mr. Kelly suggests that the clean report can be reviewed and then submitted to the Board of Selectman indicating the Committee wishes to see this report at every meeting in order to assist in making recommendations with the full fund balance in mind. Mr. Jeffers inquires on a discussion regarding the abatement policy. Mr. Kelly advises that the general consensus is the current policy is a bit liberal in interpretation. It's the get out of jail free aspect of the policy that needs to be closed. Mr. Ferraro disagrees. He feels that if read properly, the policy is not liberal. The policy mandates only accidental, unavoidable in order to be eligible for the abatement for the one in ten. It's only stringent if it's read improperly. The incident has to be

something the home owner truly could not have prevented. Mr. Kelly feels the language needs to be made clearer. Mr. Ferraro suggests a short checklist to include with the documents filed to apply for abatement. If the accident was unavoidable check the box and move forward, if you have not used your one in ten years, you may check no and go to the final question. If you have, you're not eligible. Mr. Ferraro acknowledges that all residents are always free to come to the meetings to advocate their point.

Mr. Kelly asks Mr. Jeffers for a short update on the projects that had not moved forward at the last meeting such as the Groundwater Treatment Plant. Mr. Jeffers confirms the project is moving into the funding parameters. The applications are the first step and are being worked now. He indicates the water meter replacement project is currently held up by Governors Council. Mr. Jeffers reminds Mr. Tanis that he agreed to be a consultant on the RFP for the Waste Reduction.

Paul Roy, maintenance Superintendant, comes forward to offer a status update on Phase II of the Water Treatment Plant. He reports that the annual average will begin in the third quarter and there would need to have a running annual average. There are two locations that could potentially be problematic. There will be four samples taken per year to be certain the water is below the recommended limits. Mr. Tanis wonders if the samples test at over the recommended limits, would the Town be able to use the new water treatment facility as a response. Mr. Roy indicates this is not necessarily the case. He explains that in getting the water to these areas, the low demand areas create the byproduct, chloroform. It needs to be removed. In the two problematic areas of Cross Road and Hampton Road there are two tanks with internal mixers. He explains that in the heat of the day, the warmer water rises and if the water isn't mixed, there is an area that incubates algae or bacteria as the chlorine changes. Mr. Tanis inquires if action can be taken to meet the standard regulation. Mr. Roy indicates the changes being made now will be evaluated at the end of the summer. The new carbon location was turned on this past Monday. The numbers will be produced as time goes on and have been low so far. The fourteen foot tanks are being turned over to allow the water to fill and mix and help keep the numbers low. The Hampton Road tanks are primarily in distribution. There is typically one turnover per day. Mr. Roy explains the process of turning the booster pump on in the morning and allowing the tank to drain from eighty-three feet to sixty-eight feet the tank then refills in the evening. There is a surge of water in the fill line with a single inlet and single outlet. This causes the water at the top to turn over mix and blend and in the morning the boosters are turned back on and the draining process begins again to restart the cycle. Mr. Tanis requests a summary of the total organics levels for the following months meeting. Mr. Roy indicates the numbers have been generated for the last four years and he can have a summary at the next meeting. Mr. Kelly suggests that Mr. Tanis and Mr. Roy find a time to meet to discuss the specifics of the organic materials level. They agree to meet at their convenience. Mr. Jeffers invites the Committee members to come in and see the new UB54. Mr. Kelly indicates they will try to schedule a tour this summer.

6. Committee Calendar

-Mr. Kelly confirms the next meeting will be Wednesday, June 13, 2012, 6:30 pm

7. Adjourn

Mr. Allen moves to adjourn. Mr. Ferraro Seconds. Vote: Unanimous

The Committee stands adjourned at 7:43 pm.

Respectfully submitted,
Jennifer Pond
Recording Secretary