

CITY COUNCIL WORK SESSION

Water/Sewer Budget

May 6, 2015 – 6:30 p.m.

Eileen Dondero Foley Council Chambers

City Council Present: Mayor Lister, Assistant Mayor Splaine, Councilors Shaheen (via teleconference), Kennedy, Lown, Dwyer (arrived at 7:15 p.m.). Morgan, Spear and Thorsen

Staff Present at table: City Manager Bohenko, Deputy City Attorney Woodland, Finance Director Belanger, Deputy Public Works Director Goetz

Staff Present in audience: Deputy City Manager Allen, Public Works Director Rice, Deputy Finance Director Purgiel, DPW Business Administrator Orsini

Also Present: David Hyder Municipal & Financial Services Group

I. Call to Order

Mayor Lister called the meeting to order at 6:30 p.m.

II. Presentation of FY16 Water and Sewer Budget

City Manager Bohenko stated that since FY12, we have been working with a consultant on a rate structure and model for proactive management which is meant to steady with water/sewer rate increases over time.

Deputy Public Works Director Goetz began the presentation with a review of FY15 projects including;

- Shutdown of Haven Well Due to PFC's
- Madbury Well Upgrades
- Greenland Well Upgrade
- Hobbs Hill Storage Tank Replacement
- Bellamy Reservoir Source Water Projection Outreach
- Water Efficiency Rebate Program
- Water/Sewer Bill Assistance Program
- Continued Study and Design to Address regulatory Requirements for Wastewater
- Sewer Separation Projects
- Lafayette Road Sewer Pump Station Upgrade Design

He continued that we have also implemented the Assistance Program for residential customers as well as a Water Efficiency Program which we have received good feedback and participation.

Deputy Public Works Director Goetz continued the presentation on the FY 16 Proposed Budget. He stated the Water/Sewer Fund challenges include Aging Infrastructure, Regulatory Compliance, Evolving technologies and level of system complexities with both water and sewer treatment facilities and finally, major capital projects.

Finance Director Belanger then presented the Water Capital outlay, FY16 Water Bonded Projects, Sewer Capital Outlay and FY16 Sewer Bonded Projects. She continued by explaining the System Funding Enterprise Funds stating that Enterprise funds account for operations that are financed and operated in a manner similar to private business and must have fees and/or charges sufficient enough to cover the cost of providing goods and services, including capital costs and that property taxes do not subsidize the water and sewer funds.

III. Questions

Councilor Thorsen asked if we are aware of any problems with any other wells. Deputy Public Works Director Goetz stated we are testing the other wells in the area weekly and have asked the Air Force to have treatment ready.

Councilor Thorsen referred to page 17 of the handout stating that the 2 lines on the Glidepath Approach to raising rates in anticipation of major capital projects run parallel and never seem to catch up. Mr. Hyder explained there are many variables that come into play.

Assistant Mayor Splaine stated he took a tour with Deputy City Manager Allen and was impressed with the incredible infrastructure, but he was under the impression that there were monitoring systems that would immediately alert the staff about problems with water quality, but it was just stated that we are monitoring weekly. Deputy Public Works Director Goetz explained that we do continually monitor on a 24/7 basis, but groundwater is a little different as it flows more slowly than surface water. Assistant Mayor Splaine stated he is concerned that doing it weekly might allow contaminants to be present for 6 days without us knowing and feels there is a value in doing it more frequently. Deputy Public Works Director Goetz stated we also sample around the wells which serves as an early warning for contaminants that may be moving towards the wells.

Assistant Mayor Splaine stated that we need to have trust and confidence in our personnel. He stated that we need to make sure there is a comfort level of our residents in knowing that we are doing our best and that there are best practices and procedures in place. He asked if we should have an outsider come in that knows the system well to give an analysis and review our procedures to ensure we are doing the best we can in the most efficient way.

Deputy Public Works Director Goetz stated that there were engineers brought in to assess and also there are reviews from the State Drinking Water Program to ensure annual compliance. He further stated that staff attend conferences annually to keep up to date on technology and there is now an in-house chemist. He stated he has been in the business for 26 years and he feels confident in the water we drink.

City Manager Bohenko stated testing is done regularly and in the high regulatory environment we are currently in, any variances have to be reported to users immediately and there are stiff fines and penalties if not in compliance. He stated that the high costs are a result of the EPA requirements for nitrogen levels which added another 30-40 million to the project, but we were able to prove that we don't put nitrogen into the bay or river, so constituents need to be aware of this fact.

Councilor Kennedy asked about the Assistance Program and why is the amount smaller than before. Finance Director Belanger stated we didn't use all that was budgeted previously. Councilor Kennedy asked what happens if we run out of funds. City Manager Bohenko stated we will come back to the Council for more money.

Councilor Kennedy then asked about the aging infrastructure and the streets being torn up as to when we will be caught up on replacing pipes etc. Deputy Public Works Director Goetz reviewed the Works Program which tracks work orders for the department and explained the process. Councilor Kennedy asked what percentage has been replaced so far. City Manager Bohenko stated we have turned the corner on the water side, but the sewer side is a tremendous challenge with the sewer separation. Councilor Kennedy stated she did not see the storm water situation anywhere in the budget. City Manager Bohenko stated there isn't a specific spot yet, but the feds haven't finished doing the permitting yet and the impact hasn't been set yet, so now it is mixed throughout the Public Works Budget.

Deputy Public Works Director Goetz stated we do have a stormwater ordinance so it is a part of the review process for any road projects and gave the Sagamore Avenue reconstruction as an example stating the entire median is storm water treatment. He stated the State Street reconstruction also included this aspect even through those regulations weren't yet in place as we were being proactive.

Councilor Lown asked about the \$3 million for water lines to Newcastle and if the State law prevents us from surcharging them. Deputy Public Works Director Goetz stated this is an Enterprise Fund and there has been a lot of discussion of the water lines to Newcastle as when there is a leak, they are underwater and we have to hire divers and it stresses the entire system and infrastructure. Councilor Lown stated that is why he is wondering if we can charge them instead of having all of the customers pay for it, when it only relates to Newcastle.

Deputy City Attorney Woodland explained the regulatory aspect which means we have to treat everyone the same.

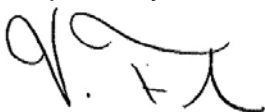
Councilor Lown asked about a Water District. Mr. Hyder stated we can charge 10% more without creating a Water District. Councilor Lown asked why we aren't doing it then. Mr. Hyder stated we have looked into it in the past. City Manager Bohenko stated we will come back with a report.

Councilor Spear stated he wanted to address the issue of the rate increases stating that the EPA and DES regulations are the driver of these increases. He stated we also want to make sure that we are using innovative technology going forward with the new plant and that as we replace pipes they will last another 100 years. Finally, he stated the request for an outside consultant is valid but we have to remember that all of this costs money.

IV. Adjournment

Mayor Lister closed the Work Session at 8:15 p.m.

Respectfully submitted by:



Valerie A. French,
Deputy City Clerk