



MEMORANDUM

To: Honorable Mayor and City Council Members
From: Karen S. Conard, City Manager
Date: June 19, 2020
Re: FY21 Budget – Review of Items from Councilor Huda – **Water/Sewer**

Before the June 15, 2020 City Council meeting, Councilor Huda provided several spreadsheets listing recommended reductions from the FY21 proposed budget for the Water and Sewer Enterprise fund. Below is a response to each line item with further explanation of how each budget item was projected for the FY21 budget. It is important to note that as part of the preparation of this budget, the staff for these divisions followed the request of City Council to more appropriately reflect costs for each cost center. Therefore, many of the lines that appear to have increased costs over FY19 actuals and FY20 budget are simply due to the reallocation from one line to another. An example is described in Item 9 - Distribution Mains Portsmouth-Materials which has an increase in the FY21 budget. However, this increase was due to decreasing other lines with a net result to operating funds totaling a reduction of (\$22,950). This is the case for many other lines in both of the budgets.

The total reduction requested by Councilor Huda for the Water Fund is \$347,488 and for the Sewer Fund \$1,481,130. In review of the proposed reductions, the following items could be reduced for a total of \$57,360.

Water:

Seasonal laborers	\$5,871 reduction
Engineering interns	\$13,809 reduction

Sewer:

Seasonal laborers	\$5,871 reduction
Engineering interns	\$13,809 reduction
New Utility Vehicle	\$18,000 reduction

TOTAL: \$57,360 reduction

Personnel Items Listed in “Summary FY21 Budget Cuts”

WATER DEPT.		
COST CENTER	PAGE	AMOUNT
EDUCATIONAL STIPENDS	368	5,058
SEASONAL LABORERS	368	5,871
ON CALL DIFF	368	1,240
ON CALL MONITORING	368	20,410
ENGINEERING INTERNS	368	29,409

SEWER DEPT.		
COST CENTER	PAGE	AMOUNT
EDUCATIONAL STIPENDS	385	6,239
SEASONAL LABORERS	385	5,871
ON CALL DIFF	385	2,630
ON CALL MONITORING	385	61,230
ENGINEERING INTERNS	385	29,409

Educational Stipends: These are contractual obligations in the Professional Management Collective Bargaining Agreement and cannot be changed.

Seasonal Laborers: We can eliminate this item for both water and sewer.

On Call Differential: These are contractual obligations in the Supervisory Management Collective Bargaining Agreement and the 1386A Collective Bargaining Agreement and cannot be changed.

On Call Monitoring: These are contractual obligations in the Supervisory Management Collective Bargaining Agreement and the 1386A Collective Bargaining Agreement and cannot be changed.

Engineering Interns: We do not recommend decreasing these lines by \$29,409. Rather, they could each be reduced to \$15,600, which would fund two interns working 26 weeks for each division. We have had great success with our six years of hiring interns, mostly UNH engineering and science students, and they have been tasked with special projects that generally require outside consultants. In past years our interns have performed source water projection inventories, water quality monitoring, sidewalk inventories, stormwater and pipeline infrastructure assessments. We can reduce each intern line item in the amount of \$13,809.

ROLLING STOCK		
DESCRIPTION	PAGE	AMOUNT
NEW FORD METERS	WATER I-29	\$ 29,000
MISC (NO DESCRIPTION)	WATER I-29	\$ 90,000
NEW ELECTRIC SEDAN	SEWER I-31	\$ 35,000
NEW UTILITY VEHICLE	SEWER I-31	\$ 18,000
MISC (NO DESCRIPTION)	SEWER I-31	\$ 140,000
FORD ESCAPE	PW I-32	\$ 30,000

Correction: SEWER I-32

New Ford Meters Truck – Water I-29: This vehicle is necessary to allow our two meter technicians to work independently and efficiently on their own. We currently only have one meter vehicle. In the past, meter technicians rode together. A reduction to this line is not recommended.

Misc Water – Water I-29: This is for large equipment replacements that are capitalized assets as described in budget book page I-27. A reduction to this line is not recommended.

New Electric Sedan – Sewer I-31: This vehicle is for the Wastewater Operations Manager position. A reduction to this line is not recommended.

New Utility Vehicle – Sewer I-31: We can remove and defer this item (\$18,000) until a subsequent year.

Misc Sewer – Sewer I-31: This is for large equipment replacements that are capitalized assets as described in budget book page I-31. A reduction to this line is not recommended.

Ford Escape-Sewer I-32: This vehicle is used primarily by the Chief Plant Operator at Peirce Island and is shared with staff. The current vehicle is beyond its serviceable life. A replacement is necessary as this is the only passenger vehicle available to staff for transportation to trainings, meetings, and for deliveries to the lab. A reduction to this line is not recommended.

Water Enterprise Funds

Software Annual Maintenance: In previous years, these expenses had been spread throughout many line items. As previously noted, per the directive of City Council this year, staff reallocated budget items from various other account line to this cost center to better track overall software costs. Annual software items in this line now include: 1) Water/Sewer billing software; 2) Remote water meter reading software; 3) VueWorks work order and asset management; 4) GIS software cost; 5) Autocad mapping software; 6) SeeClickFix public reporting software; 7) MapGeo website public viewing software; 8) Kronos payroll software; and 9) SCADA water and sewer treatment operations software. A reduction to this line is not recommended.

Postage: As with item 1, postage costs had been spread throughout various account items. The primary expense for this item is the cost for mailing (printing, processing and postage) out 8,400 water/sewer bills a month @ \$5,720.40/month, which is split between the Water and Sewer divisions. Additional postage costs are for billing inserts (4 to 6 a year) and the mailing of the required annual water quality reports. A reduction to this line is not recommended.

Gasoline: Gasoline and diesel fuel is funded within the Public Works, Police, Fire and School Departments for a total proposed appropriation of \$300,700. The cost of this commodity is dictated by the industry, can fluctuate both up or down at any given time and is very difficult to predict. The City bids out this commodity to receive the best price possible to keep the cost down. A reduction to this line is not recommended. If the City Council wants to reduce this line item, we would recommend the reduction should be across the board among all departments.

Assistance Water/Sewer: The Water and Sewer Assistance Programs were approved by a City Council vote to provide assistance for seniors, families and individuals with the payment of their water/sewer bills. Citizens in need of help may apply for two types of financial assistance. (1) The Annual Assistance Program allows for a 25% discount on the water and sewer used each month for income-eligible homeowners and tenants serviced by the City of Portsmouth's Division of Water and Sewer. Applicants must reside at the property, have a current water/sewer account, and must provide documentation which demonstrate their hardship following the programs guidelines. (2) A one-time Temporary Assistance credit of 50% may be put towards an outstanding residential water and sewer

service balance up to \$300. Applicants must reside at the property, have a current water/sewer account, and must be able to verify their financial hardship for major life events which include (A) Major medical hardship (B) Employment Status change (loss of job) (C) Marital Status change (hardship due to divorce, death of spouse, etc.). We do not recommend a reduction to this budget line as these assistance programs are likely to be in more demand due to the financial effects of COVID-19 might likely have on the people for which it was established, such as our senior population and families/individuals who are already undergoing stressful life events. A reduction to this line is not recommended.

Electricity: Additional costs in this line are for the cost to operate the reservoir water quality mixing and aeration system at a higher rate and longer period of time than previously utilized. This is based on water quality analysis performed last year by water treatment staff and as recommended by our consulting limnologist. A reduction to this line is not recommended.

Grit/Sludge Disposal: Budget for this item is for the testing, hauling and disposal of water treatment filter backwash residuals that are stored and dried at the Madbury Water Treatment Facility. Costs are projected based on \$57.09/wet ton + \$133.59/hr trucking + testing fee with an annual increase of 3.5%. Actual costs for FY19 were lower because hauling was delayed in late 2018/early 2019 due to state PFAS regulations. A reduction to this line is not recommended.

Treatment Wells Portsmouth: Portsmouth wells line was reduced by \$30,000 due to reallocating costs to Pease Wells so that costs can be tracked for Air Force reimbursement. Line item did not print out in budget book and is why the printed lines only add up to \$97,700; however, with the Pease Wells \$127,700 is total amount needed for FY21. A reduction to these lines is not recommended.

The table below is pulled from the Budget Preparation module of the Finance Software.

BUDGET UNIT	BUDGET UNIT Title	Account	Account Title	Requested Base	Current Budget
5075165056171492	WELLS	041002	ELECTRICITY	35000	62000
5075165056171492	WELLS	041101	NATURAL GAS	0	0
5075165056171492	WELLS	041103	PROPANE GAS	5000	3212
5075165056171492	WELLS	043002	REPAIRS-ELECTRICAL	3500	3000
5075165056171492	WELLS	043018	REPAIRS-EQUIPMENT	5000	18000
5075165056171492	WELLS	043025	REPAIRS-BLDINGS & GROUNDS	3000	3000
5075165056171492	WELLS	043028	MAINTENANCE	26000	28000
5075165056171492	WELLS	043032	GENERATOR MAINTENANCE	7000	7000
5075165056171492	WELLS	062011	OPERATING SUPPLIES	1200	800
5075165056171492	WELLS	063800	MATERIALS-CHEMICALS	0	0
5075165056171492	WELLS	068030	TOOLS	0	0
5075165056171492	WELLS	074000	MACHINERY AND EQUIPMENT	12000	8000
5075165056571492	TREATMENT-WELLS PEASE	041002	ELECTRICITY	30000	0
	TOTAL			127700	133012

Booster Station: This line item was increased due to the additional electricity to operate the new Total Trihalomethane aeration treatment system, which was put into service in late 2019 to meet water quality regulatory compliance (see Slide 6 in FY21 Water Sewer Budget Work Session presentation). Projected costs to operate system are \$3,200/month from October through March each year and \$9,400/month from April through September each year. A reduction to this line is not recommended.

Distribution Mains Portsmouth-Materials: This line item is higher because costs previously charged to other cost centers and those items were moved to this line to allocate funds to the appropriate cost center: Distribution Hydrants lines were zeroed out (\$40,200), moving \$33,500 into Distribution Mains-Materials for a net reduction of (\$6,700). Distributions Meters-Machinery and Equipment: \$35,000 also had money reallocated to Distribution Meters-

Materials in the amount of \$20,000, reducing the Meters-Machinery line item by (\$30,000) and capturing a net budget reduction of (\$10,000). The Distribution-Services lines were cut (\$1,250) and the Distribution Mains-Rental Other Equipment line was also cut (\$5,000). The net result to operating funds with all these changes is a reduction of (\$22,950). A further reduction to these lines is not recommended.

Distribution Meters Repairs Portsmouth: This line funds repairs to water meters. FY20 year to date expenditures are \$13,488.84. A reduction to this line is not recommended.

Sewer Enterprise Funds

Treatment Plant Portsmouth Items: These items are associated with the anticipated cost to operate the new Peirce Island Wastewater Treatment Facility (WWTF) Biological Aerated Filter Treatment System (BAF) which has been under construction since FY17. The facility recently began full operation in April 2020, near the end of FY20. The facility will be in full operation for the entirety of FY21.

When complete, this treatment facility will have undergone a significant transition from a basic primary sewer treatment system to an advanced treatment system that also removes nitrogen, a regulatory requirement of the City's consent decree. This advanced biological treatment facility requires significantly more consumption of energy and treatment additives than the previous system. This advanced treatment also removes more compounds from the waste which will generate significantly more byproducts (sludge) which are collected at the facility and hauled away for disposal. As a result, the system will see a significant increase in costs. This increase is reflected in the FY21 budget versus FY19 and FY20 because the facility was not yet in service. To prepare the FY21 budget projections, City staff relied upon estimates from the design engineer and cost projections based on similar treatment facilities in order to develop FY21 budgets for these items. Staff will be tracking costs as this system becomes fully operational and future budgets will be revised over time based on actual operational data.

The City is obligated through its National Pollutant Discharge Elimination System (NPDES) permits to meet effluent water quality limits. These limits are established to comply with state water quality regulations and the Federal Clean Water Act. The City is obligated to operate and maintain all facilities and systems of treatment and control (and related appurtenances) which are installed or used to achieve compliance with the conditions of these wastewater permits. This new facility is highly automated, with hundreds of specialized valves, actuators, sensors, monitors and other mechanical and electrical controllers that require specialized contracted outside service assistance to comply with warranty and maintenance requirements. The staff's proposed budget for FY21 for the Peirce Island WWTF is based on the costs necessary to maintain this equipment to achieve compliance. Therefore, a reduction to these lines is not recommended.

Collections O/T: This line item was cut in the FY21 request by \$4,300 for overtime related to On-Call and responding to emergencies. A further reduction to this line is not recommended.

Grit/Sludge Disposal: These funds are for disposal of catch basin cleaning grit. These invoices have been previously coded to the wrong budget account. These entries will be adjusted in FY20 and corrected moving forward. The amount expended in FY20 Year to Date (YTD) for this item is \$42,556.69. A reduction to this line is not recommended.