

**PASCOAG UTILITY DISTRICT
BOARD OF UTILITY COMMISSIONERS**

Water and Finance Subcommittee – May 24, 2010

A meeting of the Pascoag Utility District Board of Utility Commissioners Water and Finance Subcommittee was held on Monday, May 24, 2010 in the District office, 253 Pascoag Main Street, Pascoag, RI.

Members Present: Albert Palmisciano, Brian Choiniere and Ann Polacek

Members Absent:

Mr. Palmisciano called the meeting to order at 4:34 pm.

1. Water Department Budget

Mr. Palmisciano stated that his primary concern was that the Water Department was running at a loss. He wanted to suggest a few items to make cuts in the budget such as doing away with the intern program in the water department and doing away with the generator

operator's position. Instead of hiring a contractor to test the generator it could be done in house.

In 2008 the Water Department's operating revenue was \$656,000. The Water Department had a series of expenses that were grouped as "Operation Maintenance" and those expenses broke out to 58% of the budget, of that 58% almost 43% was the Harrisville Surcharge. Mr. Lima's salary is 10% of the Operations and Maintenance budget. The General and Administrative portion of the budget is 49%. There's also another line item called "Other" and it's depreciation which is not a cash item but if money doesn't get put back into the plant than the equipment depreciates and the plant has lost value. In 2008 our net operating loss for the Water Department was \$106,000. Expenses were 16% above our revenue.

Staff members have discussed ways to cut the budget but as it stands now the budget is bare bones. The Water Department is not generating enough income to meet those expenses. The issue that remains is the water sales are not bringing sufficient revenue so the only options are either increasing water sales or increasing the water rates. In addition, the 2010 water budget was reduced by 6% to avoid increasing the rates.

Another issue that was raised was the restricted fund. Pascoag Water Department had tried to put \$12,000 in the restricted fund each quarter but unfortunately it is still underfunded. Pascoag Water Department had to borrow \$20,000 from the restricted fund last year, which was approved by the Board to pay invoices. The restricted fund was set up to address infrastructure needs and capital improvements.

Mr. Garille stated that some of the staff's time that was charged to the Water Department was due to the Exxon Mobil litigation and the new AMI program. The time spent on the AMI program will come back to the Water Department through ARRA funds.

Mr. Palmisciano asked if the rent split (Electric pays 70% and Water pays 30%) could be looked at again to see if the Water Department is paying too much. Ms. Allaire stated that the split had to be based on a sound principle and one department couldn't subsidize another. Ms. Allaire will check with Pascoag's auditing firm to see what they recommend regarding how the rent is divided.

Ms. Polacek entered the meeting at 4:45 PM and both water and finance issues were discussed.

Mr. Palmisciano asked if the AMI program could be expedited so that we could better account for water losses. Currently the Water Department is beginning to install the test cycle, which is cycle 1. The project is anticipated to take 12-18 months to complete.

The Pascoag Water Department has not increased their water rates in 9 years.

Mr. Palmisciano stated that if a rate increase is necessary, he would just like to make sure that everything that can be cut, has been cut to lessen the impact on the customers as much as possible.

2. Adjournment

Ms. Polacek made a motion to adjourn, which was seconded by Mr. Palmisciano. The vote in favor was unanimous. Chairman Palmisciano adjourned the meeting at 5:15 pm.

Brian Choiniere, Secretary
Board of Utility Commissioners

Desarae Downs, Recording Secretary