

NEW SHOREHAM SEWER AND WATER COMMISSION
FY 2016 BUDGET WORK SESSION-MINUTES
Tuesday, April 28, 2015, 4 p.m.
Town Hall, Old Town Rd, Block Island

PRESENT were SEWER Commission members: Chair Peter McNerney, Vice Chair Wayne Battey, Brad Marthens, Tom Doyle, Martha Ball, Terri Chmiel (Alternate)

PRESENT were WATER Commission members: Chair Brad Marthens, Vice Chair Tom Doyle, Peter McNerney, Wayne Battey, Martha Ball, Terri Chmiel (Alternate)

ALSO PRESENT were: Sewer Superintendent Chris Blane, Water Superintendent John Breunig, Administrative Assistant Mona Helterline, Finance Director Amy Land, Town Manager Nancy Dodge, BI Times

With a quorum present, the meeting was called to order by P. McNerney at 4:02 p.m.

JOINT WATER and SEWER DISTRICT

1) Welcome new/returning Commissioners

The New Shoreham Town Council met on April 15, 2015 and voted to reappoint the following members to the New Shoreham Sewer and Water Commissions:

- Tom Doyle- Full time member, exp. 2020
- Terri Chmiel- Alternate member, exp. 2016
- Steve Draper- Alternate member, exp. 2016

WORK SESSION

2) FY 2016 Budget

Finance Director A. Land distributed a draft of the "Appropriate levels of Working Capital, Cash Reserves and Capital Replacement Reserves" policy for review. This policy is reviewed and adopted annually and would be voted into adoption at the May 18, 2015 meeting. Using both FY 2015 Budgeted Expenditures and Accumulated Depreciation as a basis, the target reserve level for the Sewer Commission was \$1,259,248, and Water \$427,196. When compared with actual reserve levels this left a deficit of \$2,158,155 and \$174,541 respectively.

-Sewer District FY 2016 Budget

A. Land presented:

- FY 2016 Proposed Budget.
- 5-year Plan for Small Capital Projects (put together by the superintendent).
- Debt Service Schedule, summarizing USDA loans and their status.
- 5-year History of Revenue and Expenses.

2016 would be the last year of the 5-year plan, developed in 2011, so the current budget was somewhat constrained by what was put in place at that time. According to the plan, the monthly user fees were supposed to increase by 7% for FY 2016. A. Land explained that the budget was out of balance, there was actually \$36K more revenue than expenditures. One way to account for this would be not increasing user fees the entire 7% as budgeted; especially considering the monthly Customer Charge would be making a significant increase in FY 2016 to cover the debt service. A. Land demonstrated how this increase in the monthly Customer Charge would affect the four different classes of users on an annual basis.

On the expenditure side of the budget, the overall total would decrease by 6.2% compared to the FY 2015 budget. Personnel changes played a significant role in this reduction. The open position at the sewer plant was budgeted at \$14/per hour and family benefits.

Discussion ensued regarding the method of producing hot water, if an alternate method would reduce the fuel oil expense, and how the Deepwater Wind project could potentially affect future utility expenses. A. Land pointed

out that Capital Equipment, System Maintenance, and Contingency were the areas offering the most discretion. She referenced an outline of small capital projects put together by Superintendent Chris Blane. These are capital projects that either needed to be done or were likely to fail in the upcoming years and were not covered by USDA grants. The first year noted on Blane's 5-year plan encompassed much more work and expense than the next four years and the Commission would need to make a decision as to the priorities.

P. McNerney asked what happened to the unused portion of the budget line item at the end of the year. A. Land explained that one of two things happened- either the unused portion flows down to the reserves or the unused portion is recognized at the end of the year and used towards something else like a small capital project. A. Land pointed out that the Commission would have a much better idea of the current budget after she and C. Blane went over some current year expenses that had been incurred, but not realized, for instance the line cleaning and the manholes that were installed in April.

Looking toward the creation of the new 5-year plan, an important factor would hinge on the Commission's decision to move forward with another round of grant funding. The Town Council has put the \$1.4 million bond authorization on the warrant (Financial Town Meeting to be held May 4, 2015) in preparation, should the Commission decide to move forward. N. Dodge clarified that this did not mean however, that the Town had made a decision to share in any part of that cost.

-Water District FY 2015 Budget

A. Land presented:

- FY 2016 Proposed Budget.
- Debt Service Schedule, summarizing USDA loans and their status.
- 5-year History of Revenue and Expenses.

Compared to the Sewer Commission, the Water Commission was moving at a slower pace getting its Contribution from Reserves down to zero but had been able to do so without a significant impact to user rates. For FY 2016 User Fees would not increase. There would be a 20% increase to the Customer Charge, driven by the increase in debt service.

Budgeted FY 2016 penalty fees would increase by 25% despite FY 2015 penalties exceeding the budget by more than 50%. A. Land explained that in 2015 there were some large penalties related to sprinkler services that were not expected to reoccur. B. Marthens stated that he would like to see a larger budget for contingency. A. Land stated that historically, she had not seen water needing it. Overall, total expenditures were increasing only one-half percent.

P. McNerney inquired about the budgeted wages for both sewer and water and if they included any wage increases. A. Land confirmed that the budgeted wages were based on the superintendent's recommendations for employees. Superintendents were budgeted to receive the 2.5% cost of living raise with the rest of the Town. McNerney asked why the raise was only 2.5% as opposed to the typical 3%. N. Dodge answered that the cost of living had only increased an estimated 1.68%.

J. Breunig and P. McNerney stated that they would not be able to attend the May 5, 2015 work session. It was decided to cancel the May 5, 2015 budget work session and continue work on Tuesday, May 12, 2015. Question came up about what the proper notification of this would be, since it had already been posted. It was agreed that the clerk would reach out to legal counsel and provide an answer.

A question came up regarding the truck (listed in the first year of Blane's 5-year small capital plan) and what method the Town used to finance their vehicles. A. Land responded that the Town currently finances its vehicles over 3 years.

3) Adjournment.

MOTION by P. McNerney to adjourn at 5:05 p.m. Seconded by B. Marthens.

Aye: 5 (McNerney, Marthens, Battey, Doyle, Ball) Nay: 0. Abstain: 0.

PUBLIC HEARING to adopt the proposed budgets: Monday, May 18, 2015, 4:00 p.m., Town Hall.

ANNUAL FINANCIAL MEETING: Monday, June 15, 2015, Town Hall.

Sewer District 4:00 p.m.

Water District 4:15 p.m. (or immediately following Sewer District).

Respectfully Submitted,

Mona Helterline
District Clerk, New Shoreham Sewer and Water Commissions

ACCEPTED: 5/18/15

The New Shoreham Sewer and Water Districts are an equal opportunity provider and employer

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send you completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.