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RICHMOND WATER AND SEWER COMMISSION MEETING June 4. 2018 MINUTES

David Sander; Bard Hill; Christy Witters

Members Absent: Fran Huntoon; Bob Reap

Others Present: Geoffrey Urbanik, Town Manager; Kendall Chamberlin, Water Resources;

and Ruth Miller was present from MMCTV to tape the meeting.

Mr. Sander opened the meeting at 6:00 PM.

Welcome and Public Comment

Superintendent's Report

Members Present:

Mr. Sander asked for any public comment, but there was none.

Mr. Chamberlin presented a series of blanket purchase orders for certain work for the coming fiscal

year:

Purchase Order 3374 to various vendors in an amount not to exceed \$4,000, for wastewater system emergency repairs. Mr. Hill offered a motion to approve PO 3374 and was seconded by Ms. Witters and the motion carried 3-0.

Purchase Order 3375 to various vendors for pump station maintenance in an amount not to exceed \$1,800. Mr. Hill offered a motion to approve PO 3375 and was seconded by Ms. Witters, and the motion carried 3-0.

Purchase Order 3376 to various vendors in an amount not to exceed \$6,600 for sodium aluminate and \$49,500 for sta-floc (wastewater process chemicals). Mr. hill offered a motion to approve PO 3376 and was seconded by Ms. Witters, and the motion carried 3-0.

Purchase Order 3377 to CSWD for sludge hauling in an amount not to exceed \$60,000. Mr. Hill offered a motion to approve PO 3377 and was seconded by Ms. Witters and the motion carried 3-0.

Purchase Order 3378 to various vendors for meter repairs and replacements in an amount not to exceed \$3,000. Mr. Hill offered a motion to approve PO 3378 and was seconded by Ms. Witters and the motion carried 3-0.

Purchase Order 3534 to various vendors for emergency water line repairs in an amount not to exceed \$26,000. Mr. Hill offered a motion to approve PO 3534 and was seconded by Ms. Witters, and the motion carried 3-0.

Mr. Chamberlin then objected to moving the town's official email to a system which was different from what he was using currently, which was a subscription based service. He felt that he was using this service and it was secure, and he and his staff were accustomed to using it, and eliminating this service would disrupt their operations. He suggested a new domain for the free service.

Mr. Hill said he understood the complaint but not the exact problem.

The Manager explained that the town owned the richmondvt.gov domain, and the website hosting service included email hosting as well. Since 2014, Water Resources has exclusively used this email domain through a subscription email and cloud computing service. The trouble was, the email domain could not be split between the town's hosted service and the subscription service; it was all one or the other. Since the subscription service would cost \$50 per account per year, adding 50 accounts would be an expenditure that had no funding. The included email hosting was more cost effective, but Water Resources would have to eliminate their service, and possibly lose some data or emails.

Mr. Chamberlin said that Richmond was behind other towns, who were using a variety of subscription based cloud solutions. We had no IT budget and were approaching a time when we could be at risk. The subscription solution was the best way forward.

Mr. Hill noted option A, which was the hosted email and option B which was subscription. There were costs and benefits to each. Mr. Sander noted that emails needed to be archived and under town control. There was significant discussion on this topic.

It was finally agreed that staff could be signed up for the subscription based email service for Water Resources and up to 10 other accounts. Appointed and elected officials could use a .org domain hosted with the website service.

FY2019 Rates Discussion

The Manager discussed the draft rate sheet as updated by Mr. Chamberlin with current flow calculations and apportionment among the three rate classes of residential; commercial/government; and the schools.

The Manager explained that Water and Wastewater are separate but are calculated mostly the same, with the only differences happening below the "charges" line to additional revenue from unique sources. While we meter water, we do not meter wastewater, so it is usually shown as a percentage less than metered water to account for some amount of consumption.

- 1. Flow measurements are the first variable. We use three rate classes: Residential; Commercial & Government; Schools. Within each class, we can meter the flow through the associated metered accounts. Therefore, we can determine both the total metered flow and the apportioned flow for each rate class.
- 2. Once we've apportioned the flow, we can adjust typically downward the flow numbers to be able to estimate billable flow. We do this because overestimating flow leads to financial difficulties, so a conservative estimate is prudent.
- 3. These initial calculations lead to apportionment of the budget to each rate class. We use the full expense target here, which is adjusted later.
- 4. Once the class is apportioned, we list the # of accounts, and the two components of our billing: Base Rate and Metered.
- 5. The two billing components are apportioned by debt and operating expenses, and can be seen in the left column. For the Residential Class, the revenue requirement is 57.7% of the total, while the fixed costs used for the base rate are 30% of the class revenue and metered charges are 70%. Those percentages are calculated to come up with the annual fixed fee and the variable charge per 1,000 gallons.
- 6. All classes are calculated the same way.

- 7. Below the class line, we adjust for certain other charges, which essentially reduce the revenue requirements used in the top calculations. For water, we use the Fire Protection revenues from the General Fund; for wastewater, we use Septage revenue. Additionally, hook on fees and other miscellaneous fees can be added here. Again, these additional revenues factor into the calculations at the top.
- 8. The top and the bottom should equal. Since we use expenses at the top, the revenues from the rates shown at the bottom need to match.

So, how do we tweak rates if we need to? There has to be a rational and equitable basis for the rates. Our flow numbers form the initial basis for the rates – they are measurable, and apportioning costs based on usage is a simple and rational approach. Adjustments can happen in a few ways – first you can cut expenses through modifying the budget. Cutting expenses cuts revenue requirements, which would lower rates across the board – and the converse works in the same manner. Second, tweaking special revenues affects rates at the top – more or less septage, special one-time revenues, etc. You could anticipate higher flow numbers, which increases revenue without raising the rate itself – you still bill for higher amounts, but you can claim the rate is stable. Finally, you could challenge the assumptions on how the billing components (fixed and variable) are set in the left column. Adding accounts also increases revenue but it is largely out of your control.

Of course, you could rework the rates entirely, although that process would take many months of crafting and vetting. We did this in 2013 and again in 2014 and 2015. The rate structure as it stands seems to have proven acceptable, although the expense to the customers is recognized. Mr. Chamberlin's update to last year's rate sheet could be seen in this way, using flow numbers as shown on the respective rate sheets:

FY2019

Class	Water	Wastewater				
Residential –	Fixed Revenue = \$1.28 more	Fixed Revenue = \$11.20 less				
average home	per year	per year				
*net \$48 per year	Variable Revenue = \$42 more	Variable Revenue = \$16 more				
more	per year	per year				
Commercial/	Fixed Revenue = \$5.23 more	Fixed Revenue = \$10.29 more				
Government	per year	per year				
*due to lower	Variable Revenue = varies	Variable Revenue = varies				
variable rates,	widely between accounts, no	widely between accounts, no				
anticipated	average	average				
somewhat less or the						
same						
Schools	Fixed Revenue = \$541.27 more	Fixed Revenue = \$377.06 more				
*net \$1,277.66 more	per year	per year				
per year, per account	Variable Revenue = \$242 more	Variable Revenue = \$117.33				
(or \$3,832.99 total)	per year	more per year				

Usage was down by 1.5 million gallons from the year before, which triggered an adjustment to the rates. There was discussion about the creamery projects, timing of new accounts, and other issues.

Following further discussion, Mr. Hill asked if the Commission was willing to approve this rate amendment. Mr. Hill offered a motion to amend the water and wastewater rates as presented and was seconded by Ms. Witters. The motion carried 3-0.

	Richmond Water and Sewer Commission				% use in	past 4 quarters	98%	future use adji	ustment		W	WW	TOTA
Y2019 Final Rate	Rate Structure and Estimated Budget Reve	enue				W		w	22	17-18	\$327,104	\$583,270	\$910,3
The state of the s		nue											
	2018 approved v7 6-19-2017				res	9,483,200	59.70%	9,407,700	66.26%	18-19	\$345,137	\$562,000	\$907,
	Billable by class				G+C school	5,328,700 1,072,600	33.55% 6.75%	3,718,100 1,072,600	26.19% 7.55%	S+ %+	\$18,033 5.51%	-\$21,270 -3.65%	-\$3,2
					total	15.884,500	100.00%	14,198,400	100.00%	76 *	0.0176	-3.00%	-0.30
		100.00%			1010	10,000,1,000			100.00				
		% of	Water			% of	Wastewater						
The second second		usage				usage	\$562,000 2019 budget		t				
	actual mater % minus 15% to offest closel fire \$	57.70%				66.26%		units					
Base Rate account/year		(FY10 56.77)	\$141.20				(FY18 66.85)	\$187.28					
	app. 30% of class revenues	\$172,347	(FY18 \$139.92)			\$58,597.99		(FY18 \$198.48)			\$77,157.33		
otal residential metered W/WW sold	app. 70% of class revenues	(FY18 166,671	9,293,536				FY18 266,622		est gallons				
	User rate per 1000 gallons			(FY18 9,976,400)		2440 740 00			(FY18 9,782,164)		0100 000 70		
	Annual Res.usage revenue generated		(FY18 \$11.02)	-\$8,952.98	-5%	\$113,749.03 \$172,347.02		(FY18 \$19.08)	\$20,737.11	0.001	\$180,033.78 \$257,191.11		
Commercial and Govt	latted with \$ nines 25% to offer a chool for \$	30.55%		-30,332.30 units	-576	3112,341.02	26.19%		units	0.070	3237,131.11		
lase Rate account/year	Parish many & Welf 578 to outline topograph 2	(FV18 32 38)	\$475.04	urina			(FV18 26.37)	\$551.49	unita				
	app. 40% of class revenues	\$89,069	(FY10.5469.01)			\$35,627.78		(FY18 \$541.20)			\$40,258.71		
	app. 60% of class revenues	(FY18 92.788)	5,222,126	est gallons		330,021.110	FY18 104,182		est. gallons		010,200.71		
	User rate per 1000 gallons			(FY18 6,004,852)		1			(FY18 3,859,044)				
	Annual C.& G. usage revenue generated		(FY18 59.27)			\$53,441.67		(FY18 \$16.20)			\$60,388.06		
			\$139.27	\$10,445.45	13%	\$89,069.45		-\$34.32	-\$2,505.24	-2.43%	\$100,646.76		
Schools	5.85% school plac &% (upp \$538) added for fire protection \$ in New of tweet	11.75%	3	units			7.55%		units				
Base Rate account/year	app. 50% of class revenues	(FY18 10.85)	\$5,803.97				(FV18 6.78)	\$4,887.19					
nnual Fixed Revenue Generated	app. 50% of class revenues	\$34,824	(FY18 \$5262.70)			\$17,411.91	\$29,323	(FY18 \$4510.13)			\$14,661.56		
otal School metered W/WW sold	INDIAN AND COMPANY CONTRACTOR	(FY18 31,576)		est. gallons			(FY18 27,061)		est. gallons				
	User rate per 1000 gallons			(FY18 992,838)					(FY18 992,838)				
	Annual School usage revenue generated		(FY18 \$15.90)			\$17,411.91		(FV18 \$13.63)			\$14,661.56		
			\$1,903.27	\$5,709.82	19.6%	\$34,823.82		-\$2,961.62		-23.3%	\$29,323.13		
ndustry									unit				
Base Rate account/year								\$235			00000		
	Annual Fixed Revenue Generated							(FY18 \$225)			\$235.00		
								**separate bill			\$2,500.00		
	Annual Industry usage revenue generated						_	separate bill	estimate*		\$2,735.00		
llocated accounts			- 5	units				4	units		\$2,133.00		
lase Rate account/year			\$238					\$276					
	Annual Fixed Revenue Generated		(FY18 \$210)			\$1,190.00		(FY18 \$280)			\$1,104.00		
						20000000		1,000					
	and the second					\$1,190.00					\$1,104.00		
Total Annual Revenue generated throu						\$297,430.28					\$391,000.00		
otal gallons W/WW usage rate(s) are	% of 4/1/15 - 3/31/16 actuals:		15,566,810	water					wastewater				
	2 to 2000 1 to 10 to		(FY18 16,974,090)			1201-0000		(FY18 14,634,046)					
Sale of water						\$1,500					na		
icle. FY18 water sales moderately higher than bu						(FY18 \$1500) \$45.637					- 22		
own Fire Protection/Tank Fee (5% w	ater budget + % tank bond)					(FY18 \$32,796)					na		
Septage Revenue (est)						(F118 832,796)					\$170,000		
lote: FY17 septage revenue somewhat lower than	hurbatari					rid					(FY18 \$180,000)		
st Creamery Revenue	have increased account totals above					\$0					80		
	by 10 res units and 1 comm unit												
st. Gateway Revenue						\$0					\$0		
en de													
look-on fees						\$500					\$1,000		
Miscellaneous Fees						\$0					\$0		
described for law and an end-						50					50		
iterest on investments			Water			\$345,067		Sewer			\$562,000		
Raini Total Revenues FTT7			rva(CI			\$340,067		Gewei			9002,000		
ixed costs generated Water		- 1	V capital budget	\$205.869		\$158,965							
	From rates		· oupnai sunget	-23%		\$111,638							
ixed costs generated Wastewater				-2,070		U111,030	ww	capital budget	\$162.712		\$219.417		
	From rates								35%		\$132,078		
aniable costs generated Water	1000 (100) (1000 (1000 (1000 (100) (1000 (1000 (100) (1000 (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (1000 (100) (100) (100) (1000 (100) (1000 (100) (100) (1000 (100) (100) (1000 (100) (100) (100) (1000 (100) (100) (1000) (1					\$186,103							
	From rates					\$184,603							
aniable costs generated Wastewater			12.20%					-1.93%			\$342,583		
	From rates		\$37,519					\$11,049			\$255,083		
			(FY18 \$327,104)					(FY18 \$583,270)					
		budget		est	revenue	\$345,067	budget		est	revenue	\$562,000		
			-\$70				Tr.	\$0					
			-0.02%					0.00%					
lotes:													
	e class % of total usage; calculated separa												
Class % use of W and WW is likely to	change due to changes in usage and poss	ible growth	(Creamery, Gate	way) and thu	s will be re	eviewed/revised	annually	ad new					
	the gallons by class in the most recent con	npiete year	out is also influen	ced by other	ractors eg	trends of usage	or anticipat	ed new users					
Other principles include:	contal avecace												
ived revenues approximately equal to													
ixed revenues approximately equal to tate stability is generally desirable, the													

Approval of Warrants

The Warrants were reviewed and approved.

Next Agenda

Tank Landscaping, reserves, sprinkler line fees and inspections.

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<u>Adjourn</u>

Mr. Hill offered a motion to adjourn at 7:00 pm and was seconded by Ms. Witters. So voted.

