

**RICHMOND WATER AND SEWER
COMMISSION MEETING
June 4, 2018 MINUTES**

Members Present: 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

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

Superintendent's Report

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.

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

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

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

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

21 **FY2019 Rates Discussion**

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

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

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

1 **Next Agenda**

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3 Tank Landscaping, reserves, sprinkler line fees and inspections.

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5 **Adjourn**

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

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DRAFT