

# **Town of Richmond Water and Sewer Commission Meeting Minutes of February 21, 2023**

**Members Present:** Bard Hill, David Sander, Erin Farr, Jay Furr, Morgan Wolaver

**Members Absent:** None

**Staff Present:** Josh Arneson, Town Manager; Duncan Wardwell, Assistant to the Town Manager; Connie Bona, Finance Director; Allen Carpenter, Interim Water Resources Superintendent

**Others Present:** The meeting was recorded for MMCTV, Brian Currier, Dan Noyes, Heidi Bormann, Lola Noyes

**Call to Order:** 5:30 pm

**Welcome by:**

Sander: We are meeting on a Tuesday due to Monday's holiday.

**Public Comment:** None

**Additions or Deletions to the Agenda:** None

**Items for Presentation or Discussion with those present**

**Consideration of approving application for permit extension for waterline construction to serve Whistlestop Ln.**

Sander: Dan Noyes and his wife are here. Is there any reason this is being renewed?

Arneson: It was valid for two years. This is just an extension of that permit. There are no real updates to the project.

*Furr moved to approve the extension of the permit for water and wastewater on Whistlestop Ln. and an appoint Town Manager Josh Arneson as the duly authorized representative. Wolaver seconded.*

*Roll Call Vote: Farr, Furr, Sander, Wolaver in favor. Hill absent. Motion passed.*

**Discussion of current water and wastewater rate structure**

Arneson: The discussion was if we can currently ammend the rates or wait to look at unassisnged funds to reduce them next year. I can summarize the attorney's responses to our questions. We currently have three classes: commercial/government, residential, and school. We allocate for a portion of the budget based on the water and sewer used by each class. The attorney said splitting it up that way had to reanonably shift the burden between all of them. If there was a reason to reduce one class but not the other there might be concerns. We asked if we could set rates in the middle of fiscal year. The State Law does provide the Commission the ability to alter, modify, increase or diminsh rates

and extend them to any use. Since rates need to be reasonable, the Commission must have a good faith and objectively reasonable justification for making this distinction and excluding the School if that was the case. He recommends a course to decrease rates for all classes equally by using surplus to reduce it in subsequent years. We could make a mid-course correction but the attorney advises we wait until the end of the fiscal year. We could modify the budget but it is not best practice. There is no explicit stature that gives the Commission the power to extend a credit. The attorney suggests using rates in the new fiscal year bills to apply any credits to that budget. We set the new rates starting in July. We currently start the FY24 rates in April, May, and June of 2023. That is the way it has been done for a number of years. We have a few things to figure out with logistics. I included the spreadsheet and how it is allocated currently.

Hill: I am sorry to be late. We've looked at rates prospectively in terms of annual change. I don't think we're beholden to that. That is discussed at the annual meeting, which gives any customer a chance to show up to comment on both the budget and the rate structure.

Furr: I would say that if we are sending bills in July, we should be applying the rates that were in effect at the time the water was used.

Wolaver: I would concur.

Sander: Do we have a current breakdown of the different classifications of users and their actual usage in the system.

Arneson: I pulled that in April of last year to look back 12 months at usage for the previous 12 months. I don't have a current year to date usage, we could get that.

Sander: I also question why apartment buildings or commercial? Is it more residential?

Bormann: They are residential.

Arneson: We looked at total gallons by commercial and by school from the previous 12 months. We tried to get a baseline for all three classes. And that's what we would intend to do, again, as we get into March and start to set the FY 24 rates.

Wolaver: This is how you then come back and determine the fixed portion of the rate. Even though there's 76 commercial and government users, they're using 40% of assessment.

Arneson: Correct. We try to allocate the portion of the budget towards the percentage use. If you're using 37% of the water, that class is paying 37% of the budget.

Hill: There are conversations going way back about what the base versus the usage charge should be. And so that's something that I think is probably more flexible than making one class pay for more than their share. If I remember correctly, the school was more about 10%. The fact that it's like 5%, more recently as a function of lower actual use, presumably related to the COVID crisis we've been going through, so one could

anticipate that that's likely to evolve in the future. As their use goes up, their share goes up.

Bona: I don't have the list in front of me. We have a restaurant in a few residential rental units in the same building and I believe those meters get charged at the commercial rate, but I would have to look at the list in the office.

Arneson: That's where there's one meter for multiple uses beyond that meter. They will be charged as a resident two apartments in a commercial building, you would have two residential fixed fees one commercial fixed fee, but that all metered water would go through at commercial rate. There's no way for us to determine which unit is using which.

Bormann: I want to thank Josh for reaching out to the attorney, finding out the facts. I am not wanting refunds, but I am looking at moving forward from what we have done in the past. I do believe that commercial does need to pay for more. However, five times as much is a little bit much. My proposal has been two times as much. Morgan made a comment, we have 76 users for water. Would we all agree at this time that water and sewer is considered a utility as the board as a whole? Would you consider that as a utility?

Hill: Maybe.

Bormann: To legal staff, legal, they considered it a utility. You'll see that in most of your leases you have rentals. My attorney says it is a utility.

Hill: How is it structured in State statute? If I recall the math correctly, that lowering the fixed rate commercial/government would increase the per gallon rate.

Bormann: Do we all agree in the Town, that this for the Water and Sewer is supposed to be a nonprofit? Are we supposed to be making money off this?

Hill: It is not a 501c3 nonprofit.

Bormann: I did ask you to have pg 89 audit report for the 2022 on page 24 Statement H available for us tonight.

Furr: I asked Josh to pull some numbers that might actually be even more relevant.

Bormann: So change in net portion for accounting is considered the accounting terms in business, we consider it a profit. We have a \$203,173 profit last year. We have \$125,313 in Water. We have \$77,860 in Sewer.

Furr: Would we be keeping too much in unassigned funds? Trying to get the exact amount of unassigned funds for water and sewer turned out to be a little bit more involved. The net position shows how much it changed this year. What percentage is that of our operating costs for water and sewer, including paying for bonds and stuff?

Arneson: How much cash do we have on hand for water and wastewater? Our first thought was to go to the audit, look at that position. This includes assets as well as cash. We don't really have \$2 million, or \$4 million of cash on hand. The statement shows proprietary funds which strives to break out what's involved in capital assets, and what we have in unrestricted funds in both water and wastewater. Then we looked at unassigned funds being utilized in FY23 budget with ~\$27,000 in water ~\$48,000 in wastewater. That's not factoring in any vacancy savings or over or under in revenue. This is if everything came in perfect. We have the Tilden Bridge Cochran waterline that's \$90,000. The \$120,000 is for the 20-year study of the wastewater treatment facility. That will leave us with \$152,000 in water and \$278,000 in wastewater. Looking at Budgeted Expenses in FY23, 15% for unassigned funds would be \$59,780 in water and \$130,833 in wastewater.

Furr: We've got more money on unassigned funds than we need to and we could use that to lower rates.

Arneson: That's what we did in the last couple of years. We could also use it as we look to some larger projects.

Furr: If you think back about what Bridge St. looked like just a few years ago with boarded up businesses and the building that Heidi's businesses in was all empty. The people in the Economic Development Commission worked very hard to recruit businesses. Businesses could go elsewhere and spend less on water and sewer. We need to make sure that we're setting the right environment to keep our businesses and our economy doing well.

Bormann: I think today is the time to do something about this. If we have a larger project then we get a bond. That's what municipalities usually do is a vote for a bond. We're not a bank, and we shouldn't be just rolling money into reserves for a rainy day.

Arneson: In recent memory, we did West Main Street, and it was about \$100,000 project and we did end up paying part of the majority of that. I'm not saying that it's best practice or something we're going to continue.

Bona: If you look at our debt, you will see we have very few bonds. A bond and a revolving loan are extremely different. A bond, we get the money upfront, and we pay interest on it. Most of what we have for the water and sewer department is what's called revolving loans. 15% is the low side of what is recommended for unassigned funds. If we don't have that cash flow from unassigned funds, we would actually have to take a loan to start a project, because we would not have the over \$300,000. We want the revolving loans because that's where we get the biggest bang for our buck, because they have no interest.

Bormann: We still are a nonprofit. And it is 15%. If we have more than that, then that raises a red flag, because then that means we're overcharging users. That is across the board the 15%. It shouldn't be more than that. But it's not fair for the people that have been paying all this time. I personally feel for commercial, five times as much is too much. They're going to go to Waterbury, they're going to go to Essex, they're gonna go to Williston. I'm asking that the fixed water rates be \$61.04. I'm asking for the sewer

rates to be \$88.74. That is double what the residential is paying. We have plenty of revenue to do so. Have we been creating a profit for the last 10 years like this? We need to change is all I'm asking.

Hill: I honestly don't think there's going to be any change made tonight. In principle if a class of user used 5% of the system, that they would pay 5% of the cost of the system between accommodation fixed rates and user rate. That's what it was. If it is 30% of use, we want 30% of the money to come from this class. How much is fixed rate and how much was usage? And remembering those conversations 10 years ago, for residential, the logic was don't put a lot in fixed rate do more in per gallon rate. That might be a principle we might want to apply to commercial/governmental. I think it would have the net effect of benefiting small water users and charging more to high water users. In terms of a public meeting, it seems to me we have one of the three user groups. I'd want to make sure that we get all three user groups adequately represented in the conversation. I'm aware of numerous nonprofits that put a lot of money into specific reserve accounts. I think it's more subtle than just profit, non-profit. What do we want for those reserve funds versus what do we want to bond at the time we need it. I think this also plays into the asset management plan. It's not cheap stuff. My suggestion is, we should look closely at that in advance of the annual meeting. If we have money available or need to generate less revenue, we could in fact, lower rates again.

Bormann: I was a part of this 10 years ago, back in 2013, when I was chair of the Economic Development Committee. Mann & Machine, my business would be paying more based off what I'm proposing versus the fixed rates. The concern is the people that use large amounts of water. It was based on the bakery, the restaurants, the brewery, the hair salon. Those folks would be crippled, if we based it on metered water. That's why it was less at that time 10 years ago. I'm still proposing it should stay that way. We do pay more on the fixed rate because we are commercial. I am asking we lower the five times the amount in commercial/government. It is literally \$34,276.16.

Wolaver: It is typical for commercial or businesses to pay more. The question is how much more? The principle is that you can pass that on to your customers. Middlebury was extremely expensive. From a business standpoint, the government, we're not making a profit. We're putting it in reserves. I think it would make anybody feel bad that we're charging people and then it's going somewhere to pay higher wages. That's not what's happening here. The 15% is a rule of thumb. Running a big brewery or a big lumber yard there are unforeseen fees. We could be setting ourselves up for having to pay a higher interest rate. I hope that we dig deeper into this, figure out what that number really should be for us to operate. It is a little bit of a buffer. It does look like that there is an opportunity to soften the cost to everybody.

Bona: We are talking about unassigned funds and that's very different from reserves. At no point have we used 15% as a target. You'll notice it's a lot less than the sewer side. The water side is pretty much from vacancies over many years. Septage revenue has gone way above than anticipated. So that's why there's so much more on that side of the equation. We need to keep a couple of things in mind in regards to reserves. How many times have we had three or four big water breaks in the winter on a Sunday? The other piece is fixed versus metered. We've played with those numbers over the years to find a balance. What percentage of our budget do we want to make sure we can cover because

that can only be controlled by fixed the meters. They go up and down. That's a very hard decision to come up with that balance and what group it hits.

Furr: We have stated using 15% numerous times at Selectboard level budget discussions over the last two years. Are we keeping 15% of operating expenses of our budget in unassigned funds? Am I saying that we have to do exactly 15%? No, but I think that the spreadsheet indicates that it's time for an examination of how much is enough? I think that if we can reduce rates, if we can make the structure more equitable. There is a lot of the reason we do things is because of a certain person who's no longer with us. The things he said that we should do, we're not always good ideas is witness fluoride. And I think that we have an opportunity here to say, okay, he's gone. It's on us now. Is everything we're doing really what we should be doing, or are we just doing it that way because we've always done it that way.

Bormann: We need to change for the times, things as far as the profit. I'm a firm one for 15%. On that is where we should be aiming for our citizens and for our users. At this point, I am still going to ask because the commission has the availability to do the right thing. I still am going to ask tonight that the Water and Sewer Commission does the commercial and government by reducing their rates to two times. We have those funds. We've had those funds. There's no reason we can't do this.

Farr: I definitely have thoughts, but I'm still trying to formulate them. I don't think that what Heidi is proposing with the changing of the rate would affect the revenue. We should be able to figure out a unit price. I'm still a little hung up on that. In terms of what does it cost us to produce water in to treat the septage and is making a change like this something we have our unassigned fund, which to me is kind of like an emergency fund. But if we were to change the fixed rate, are we going to be making enough money from the usage to cover the cost that we need? There's no clear costs per gallon or pour per 20 gallons or whatever the increment. We need a little more information to understand if changing, the sixth rate would even make a huge difference. I do think we need to encourage people to be running businesses in Richmond, and it's a hard place to run the business anyway. I like Heidi's idea but I would like a little more information about the rate and what it costs us to do what we're doing with the water in the sewer.

Sander: It sounds like there's consensus that this needs to be looked at. Heidi's proposal has merit. I guess the question before the board is do we take action tonight? Or do we continue this process? And if so, did we change the structure at the annual meeting or before.

Noyes, D: I do pay a lot of water and sewer. I have businesses in other towns like Williston and Waterbury and you're charging me five times more to be in Richmond. For my water and sewer, I don't even use a lot of it. And I think that what this gentleman said about passing it on to customers, you very quickly become not competitive. And then your customers are going to Waterbury and Williston. I think that Heidi's got a valid point about when you're charging five-times more to be a commercial entity than a residential entity. I really question that.

Carpenter: There's a lot of towns up in the northern part of the state. Unfortunately, they've gone the opposite way of that they don't have any reserves. As soon as they have

a big emergency, they can't get the money to fix anything. And when they don't have the money, the state then goes and fines them and gets them for stuff because they don't have money to fix it. There's the danger of being too low on it, and not having enough for major projects, which is kind of like that 20-year study. I don't know how many people pay attention to the dollar figure Montpelier just paid to update its wastewater plants. Also Burlington. Once that 20-year study evaluations over, they get looking at your wastewater plant, you could have a multi-million dollar project quite quickly. Once that's over, that could be a big difference in your water and sewer rates.

Hill: When we're saying five times the rate, are we talking the fixed rate for commercial and government? Is it \$596? And the fixed rate for residential, is it \$122? Is that the five times?

Bormann: It is.

Hill: Aren't we charging commercial and government \$11.48 for 1000 gallons and residential \$13.39 for 1000 gallons? Or \$12.33 and \$10.57? I think this is useful discussion. But the fixed rate and metered rate combined to hit targets for that customer group last I knew. I don't think there are many residential customers here, they might say they'd rather pay \$10.57 as a metered rate than \$12.33 for a metered rate. And just my concern that I'm not sure if the other two user groups are represented or vocal here today.

Bormann: So again, what I am asking is, for the commercial, I am looking specifically at the commercial. Yes, I do have residential. Yes, I do have commercial. Yes, I do have industrial. I am zoned in on the commercial/government. I want to state that it is the fixed rate that I'm looking at. 10 years ago we have a lower rate for commercial to get them in here to bring them into Richmond. It doesn't need to be five times as much as residential, on the water. And then the sewer, you have 76 users on water, you have 74 users on sewer, it is literally \$34,276.16 that it will cost the Town. We have those in reserved funds. We can look at this. We can do this tonight. Look at it a year from now and move forward. But I'm not here representing all of the other categories, even though I have them in every single one except the schools. I'm here for commercial/government tonight.

Furr: I don't think we can finish this tonight. I'd like to show up at the annual meeting with a proposal that the people represented here tonight feel comfortable. I think a lot of people would make some good points.

Sander: So are you proposing annual meetings starting new billing cycle, new fiscal year or are you proposing annual meeting going back to this current billing cycle.

Furr: I don't feel right having users agree to rates and then retroactively applying them to a period where they have not agreed to those rates. My thought is the rates could start, if we enact the rates that could start as of annual meeting are going to start as of July 1, but I'm not comfortable in doing the ex post facto version.

Sander: The annual meetings in May so that's essentially too months.

Arneson: We'll probably start looking at the budget, at least in March. We'll have usage rates or usage of balance in April, to then start to build out rates. So we'll probably do a first pass in March about here's the overall budget, then we'll have usage in April. We usually then target towards like a third week in May annual meeting. There's already a timeline that we're very much on the cusp of this start for budgeting and rates going forward.

Bormann: I am interested in how much it costs per gallon to percentage to be processed. We need to know how much it costs to process, the septage. We need to make sure we're actually profiting and it's from the haulers bringing stuff in, that we're actually covering our cost. I do think that is really important to know that information.

Sander: We can get you that information. The simple answer is the rates are the expenses divided by the number of users. But septage is separate off the books from the municipal treatment at the plant. And what we can do with septage receipts is very restricted.

Arneson: I think what she's asking for is what is our cost per gallon of septage that goes through the plant. I haven't seen it really broken down here's the total number of gallons of regular wastewater and then septage, here's the total cost to run the plant for a year, and then divide that into wastewater and septage. I think we might use some engineering help to really dive into that, we might be able to get it per per 1000 gallons of everything that goes through. If we know if we know the total amount that goes through in a year, take a total cost. To break that out between septage and wastewater, I would need some help.

Wolaver: I think there's a lot of biochemistry going on each load what's going on in the system so it is a complicated. We shouldn't be making profit on it.

Hill: We've asked this question before, and I've never gotten anything close to an accurate answer. And here's why I think it's different than making beer in the middle of making your beer, somebody shows up with a truck or something else. And they throw some things in this tank and that tank, and they take some of the cans off the end of the line, they take them over there. And some of the people didn't show up for work and some of the people did, some of the chemicals you need are for this product and not that product. There's no cost allocation formula, they're not reporting their time on septic work versus other work. It's co-mingled. The only thing that I could probably directly calculate is the time I spend offloading a truck and dumping things into the tank, then you'd have to factor it out as a factor of the total processing cost. We know that there was a cost in terms of labor and chemicals and wear and tear on doing septage. But to my knowledge, it's never come close to an accurate answer. What was the total budget last year? What was the total gallons last year?  $X$  divided by  $y$  equals  $z$ .

Sander: The short answer is we make a lot of money on septage. The long answer is we don't know how much.

Hill: We were usually at the bottom level of the septage rates. We've raised it a couple of times. Even without fine-tuned math, we should probably review again, what are the other towns charging? And where do we want to be there? Because maybe middle of the



pack is okay. It's not just based on the septage class, it's based on their aggregate costs. Businesses make a lot of decisions based on lots of factors and information.

Bormann: I'm seeing that we had a net position of excess funds was actually \$125,313 for water. This is our users. And it was \$77,860 for sewer. That tells me our users are paying more. And that's why I'm asking for that calculation.

Hill: We use excess revenues from last year to offset charges for this year. And those are typically generated by septage. We can't predict what septage revenue will be. What we've done at the end of the year is say, what do we have left? Let's use that to attenuate rates, as opposed to like doing it in real time.

Bormann: We want to make sure that our users are not subsidizing for the septage. Everything we base it off, is per gallon. And if it means having an engineer coming in, we hire a lot of experts. I sure we can do that.

Farr: I was under the impression that the septage was almost like bonus revenue, I was wondering more about what it costs users on the system for sewer and for the water per gallon. We don't know what we're going to get so we can't count on that.

Sander: In the interest of time, we do need to move on, but I certainly want to come back to this.

### **Consideration of endorsing a letter supporting Project-Based Tax Increment Financing**

Furr: I think we should support that letter. Project based TIF would allow us to do a significantly smaller area as part of the TIF zone. Basically it allows you to take 80% of the taxes that you would receive from properties in that zone and put them back to paying for whatever project was taking place there. I don't see what the downside is of supporting it.

Wolaver: It is based upon taxes based upon appreciable values. If you bonded for something, and a property was worth a million dollars and then it went up to \$1.2 million, then that TIF amount would be based on the \$200,000. And it's 80%. Is that State money?

Arneson: I'm not sure about the State money works. They would basically freeze their property value and education taxes at that million dollars, and then say their property appreciate \$200,000 any taxes that would have gone to the Town or to the school on that \$200,000 would then go back to paying off the TIF. And it's something like 80% of that goes back. I don't know what other 20% goes. I don't know that many details, but it wouldn't go to the town or the school, the majority of it would go back to the bond. They would still have a special assessment to pay off the bond.

Furr: Without the project their property values would not go up. We're not losing money. I don't see that there's a downside there.

Wolaver: You're encouraging individual to actually invest.

Arneson: The letter tonight is to support that bill going through the legislature. If it passes, then we would have a more thorough debate about the pros and cons of using a TIF for a Gateway expansion.

*Furr moved to approve sending a letter in support of Project Based Tax Increment Financing to Richmond's legislators. Hill seconded.*

*Roll Call Vote: Farr, Furr, Hill, Sander, Wolaver in favor. Motion passed.*

### **Discussion of next steps in exploring installation of electronic water meters**

Arneson: Alan and I had a chance to sit down today to look at some documentation that was given to us by a couple of potential vendors for water meters. We started to outline what we would look for, for a basic package what we're looking for, for additions to that package. I'll put that into a more formal RFP. I should have that back by the next meeting in March. I'd love to get Commission's feedback on that to see if there's anything else you'd like us to include in the RFP, and then we'll get that out and get some ideas on how much it would cost to install electronic water meters.

Sander: Is there much variation and the products offered by current vendors?

Arneson: I'm a little unclear right now. Basically, you kind of drive around and collected data. We looked at an opportunity where it would go right to your phone, or to a system that would then help us know if there's an unusually high usage of water. We are adding that into the proposal. How does your system work? How much does it cost for that? The one company that we interviewed in detail said that it's extremely easy to do with NEMRC. It sounded extremely easy. And they've done it with several municipalities.

Bormann: This is exactly what we need.

Hill: I think if we're going to look at the cost then we might want to at least estimate the reduced cost of staff time.

### **Follow up on confirming the number of residential and commercial accounts at each property (TABLED)**

### **Approval of Minutes, Warrants and Purchase Orders**

#### **Minutes**

*Wolaver moved to approve the Minutes of 2/6/23 as presented. Hill seconded.*

*Roll Call Vote: Farr, Furr, Hill, Sander, Wolaver in favor. Motion passed.*

#### **Purchase Orders**

*Wolaver moved to approve PO# 4512 to M&T Bank/Wilmington Trust for the Phosphorus Bond Loan Study not to exceed \$22,220.18. Hill seconded.*

*Roll Call Vote: Farr, Furr, Hill, Sander, Wolaver in favor. Motion passed.*

## **Warrants**

*Furr moved to approve the warrants of 2/21/23 as presented. Wolaver seconded.  
Roll Call Vote: Farr, Furr, Hill, Sander, Wolaver in favor. Motion passed.*

## **Discuss Items for Next Agenda**

- \*Rate structure for next budget
- \*User Audit and number of results
- \*Electronic meters

## **Adjournment**

*Wolaver moved to adjourn. Hill seconded.  
Roll Call Vote: Farr, Furr, Hill, Sander, Wolaver in favor. Motion passed.*

Meeting adjourned at: 6:56 pm

## **Chat file from Zoom:**

00:53:27      Connie: The unassigned topic has been addressed for the Town not the Water & Sewer Department