

DPW MEETING

December 1, 2011

Present:

DPW Board Members Chairman Greg Rice, Fred Farmer, Lewis Lunn, John Dee, DPW Director Kenneth Kalinowski, Water/Sewer Superintendent Laurie Stevens, P.E., Chief Operator of Wastewater Carmen Defillippo, Wastewater Secretary Sue Gurney and Water Secretary Trish Delorey.

Call to Order:

Chairman Greg Rice called the meeting to order at 7:00 p.m.

Acceptance of Minutes:

Fred Farmer made a motion to accept the minutes of November 17, 2011 with changes as amended; Lewis Lunn seconded the motion. **The motion passed unanimously.**

Rate Hearing

Chairman Greg Rice read the following to open the Rate Hearing at 7:03 p.m.:

**Town Of Pepperell, Department of Public Works Public Hearing
In accordance with the provisions of MGL Chapter 83 Sec. 16, The Pepperell Board of Public Works will conduct a public hearing on Thursday December 1, 2011 at 7:00PM in Conference Room A at the Pepperell Town Hall, 1 Main Street, Pepperell, MA to review the sewer use rates, water use rates, and miscellaneous fees associated with both Water Division and Sewer & Wastewater Division.**

DPW Director Ken Kalinowski addressed the DPW Board explaining that he and the Water/Sewer Superintendent will be presenting their recommendations for the water and sewer rates for in 2012. The Board is aware from the previous two working sessions, that a lot of work has gone into the preparation for this meeting, including the rate tool that Superintendent Laurie Stevens has devised to analyze various parameters and the impact of adjusting them. A brief PowerPoint presentation that highlights some of the key information will be presented to the board. Ken asked the Board to keep in mind the following key points:

- With the Nashua Rd Well and the Indian Village Sewer Extension being completed, both the water and sewer debt are peaking over the next 2-3 years.
- Some prior sewer projects were 'under bettered' to keep the betterments lower resulting in a need for higher rates to pay off the un-bettered debt.
- The sewer rates were kept artificially low in recent years by 'subsidizing' the un-bettered debt with money from the betterment fund. This money must begin to be repaid in order for the fund to have sufficient monies to cover the long term debt, both principle and interest.
- We do not have a mandatory sewer connection policy in Pepperell and the actual connection rates for some projects is well below those projected, resulting in lower flows and less user fees being generated.

- Our state mandated efforts to encourage water conservation work against us financially. While we support the concept of conservation, it must be understood that it comes with a cost.
- Budget projections are just that - projections. The actual performance of each utility is subject to numerous variables such as droughts, wet weather periods, fluctuating chemical and energy costs, etc ...
- The provision of water and sewer services are subject to stringent state and federal permitting and regulation, resulting in our producing only the highest quality water and wastewater from our facilities. We have a T2/D2 water system and a Grade 6 WWTP.
- Lastly, many water and sewer systems nationwide (including much of our water system) are over 100 years old and well past their intended design life. Many were put in with federal funding and the subsequent rate structures developed by the municipalities were not designed to cover the costs of replacing this infrastructure. This is why you are seeing dramatic rate increases in many communities. Studies have defined a nationwide gap of available funding to the necessary repairs and maintenance at \$540B. That is over half a trillion dollars. I would add that we are currently airing a documentary called "Liquid Assets" on the local access cable channel, and I would urge people to watch it to gain a better perspective of the public infrastructure in this country.

Ken then turned the meeting over to Water/Sewer Superintendent Laurie Stevens who prepared the presentation. There will be a Q&A session at the end, but told the Board to feel free to stop them if there is something that you need to ask during the presentation.

WATER & SEWER RATE HEARING

Town of Pepperell
Department of Public Works

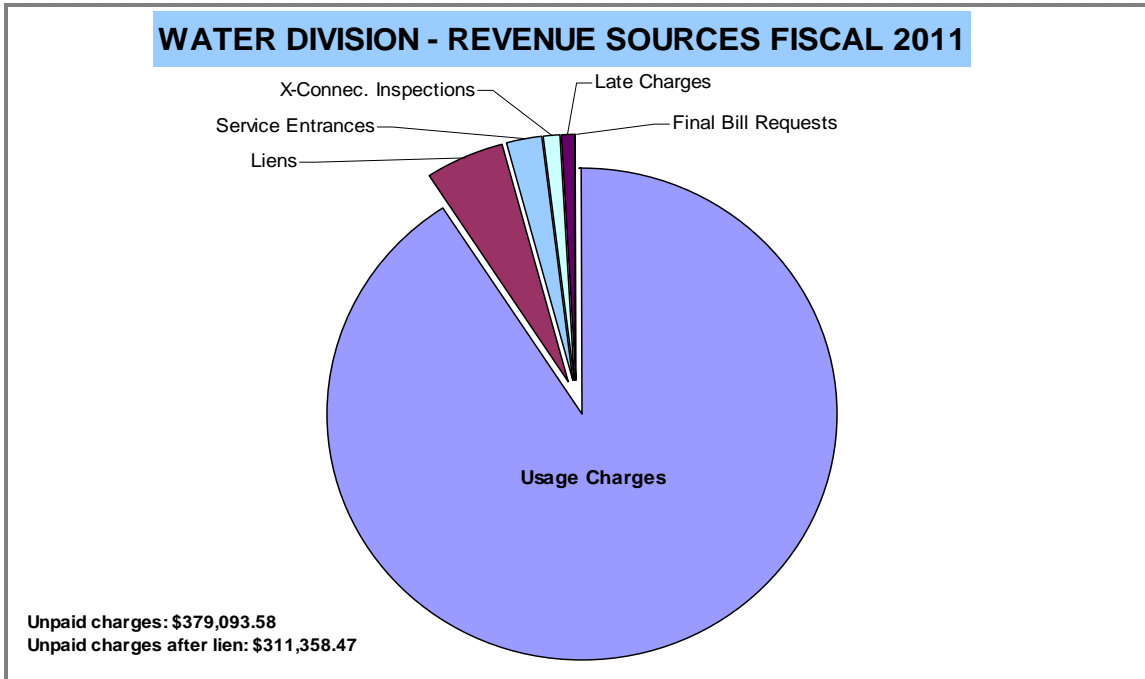


WATER & SEWER RATE HEARING Dec. 1, 2011

WATER INFRASTRUCTURE FACILITIES

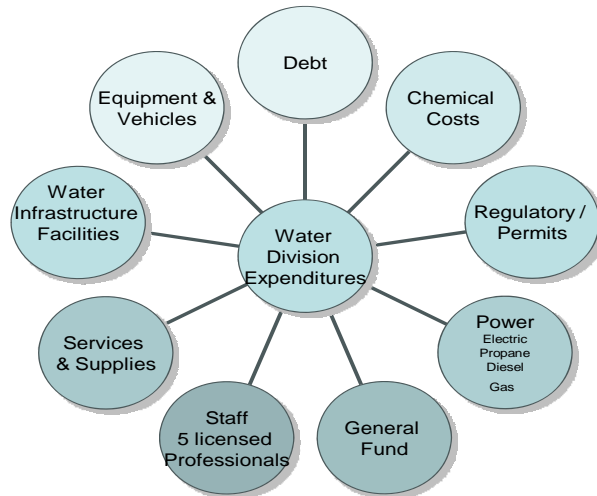
- 5 Wells
- 3 Storage Tanks
- 5 Pump & Treat Facilities
- Water Headquarters
- 75 Miles of Water Mains (the majority of which is over 100 years old)
- 600 + Hydrants

WATER & SEWER RATE HEARING Dec. 1, 2011



WATER & SEWER RATE HEARING Dec. 1, 2011

WATER DIVISION EXPENDITURES



WATER & SEWER RATE HEARING Dec. 1, 2011

PROPOSED USE OF RETAINED EARNINGS FOR FY13

- Retained Earnings from FY12 is \$593,000
- DEP recommended operating reserve is 20% of Operating Budget = \$231,000
- Monies Used for Rate Relief \$156,000
- Capital expenditures in Calendar 2012 \$ 0
- Remaining Reserve for Capital Expenditures and future rate relief = \$206,000
- Pending Capital Expenditures include \$500,000 for repainting one water tank and \$2,100,000 for water line replacement/upgrade.
- Current planning includes using more than \$100,000 for rate relief in FY14.

WATER & SEWER RATE HEARING Dec. 1, 2011

LOCAL AVERAGE ANNUAL WATER COSTS UPDATED NOVEMBER 2011

COSTS ARE BASED ON RESIDENTIAL ANNUAL USAGE OF 10,446 CUBIC FEET

EXISTING WATER RATES		
MUNICIPALITY	WATER	RATING
LUNENBURG	\$530	Highest
SHIRLEY	\$512	
TYNGSBORO	\$482	
WESTFORD	\$444	
GROTON	\$441	Mean
ACTON	\$356	
PEPPERELL	\$354	
TOWNSEND	\$313	
AYER	\$272	Lowest
AVERAGE	\$411	
Pepperell is <u>25%</u> lower than the average rate.		

PROPOSED 9.5% WATER RATE INCREASE		
MUNICIPALITY	WATER	RATING
LUNENBURG	\$530	Highest
SHIRLEY	\$512	
TYNGSBORO	\$482	
WESTFORD	\$444	
GROTON	\$441	Mean
PEPPERELL	\$387	
TOWNSEND	\$313	
AYER	\$272	
ACTON	\$356	Lowest
AVERAGE	\$415	
Pepperell is <u>6.5%</u> lower than the average rate.		

Assumes that other municipalities do not raise their rates

WATER & SEWER RATE HEARING Dec. 1, 2011

WATER DIVISION RATE RESULTS

- Cost per year \$387.00
- Increase per month is \$2.80
- Increase per year is \$33.64
- Cost per Gallon is less than 1¢
- Costs are Based on Residential Annual Usage of 10,446 Cubic Feet

WATER & SEWER RATE HEARING Dec. 1, 2011

SEWER INFRASTRUCTURE FACILITIES

Pepperell's Sewer System

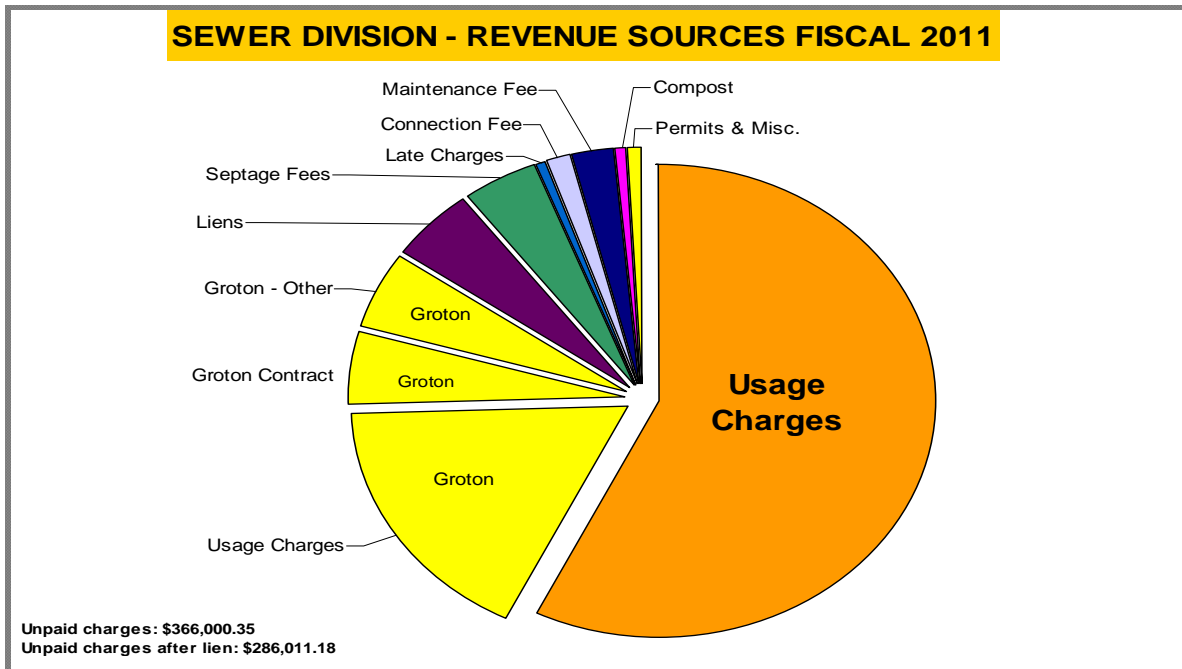
- 35 Miles of Sewer
- 795 Sewer Manholes
- 1516 Sewer Services & 438 Potential Services
- **Groton's Sewer System**
- 26 Miles of Sewer in Groton
- 286 Sewer Manholes
- 470 Sewer Services

WATER & SEWER RATE HEARING Dec. 1, 2011

SEWER TREATMENT FACILITIES

- 9 Pump Stations
- 1 Million Gallon per day Treatment Facility (grade 6)
- 30 Pumps Various Sizes & Models
- 5 Air Blowers
- 6 Generators
- 27 Pump Controllers,
- 3 UV Disinfection Units,
- 14 Other Types of Mechanical Equipment within WWTP

WATER & SEWER RATE HEARING Dec. 1, 2011



WATER & SEWER RATE HEARING Dec. 1, 2011

**LOCAL AVERAGE ANNUAL SEWER COSTS
UPDATED NOVEMBER 2011**
COSTS ARE BASED ON RESIDENTIAL ANNUAL USAGE OF 10,446 CUBIC FEET

EXISTING SEWER RATES		
MUNICIPALITY	SEWER	RATING
ACTON	\$1,336	Highest
GROTON	\$1,248	
LUNENBURG	\$846	
AYER	\$680	Mean
PEPPERELL	\$613	
SHIRLEY	\$565	
TYNGSBORO	\$496	Lowest
AVERAGE	\$826	

Pepperell is 25% lower than the average rate.

PROPOSED 29% SEWER RATE INCREASE		
MUNICIPALITY	SEWER	RATING
ACTON	\$1,336	Highest
GROTON	\$1,248	
LUNENBURG	\$846	
PEPPERELL	\$797	Mean
AYER	\$680	
SHIRLEY	\$565	
TYNGSBORO	\$496	Lowest
AVERAGE	\$853	

Pepperell is 6.5% lower than the average rate.

Assumes that other municipalities do not raise their rates

WATER & SEWER RATE HEARING Dec. 1, 2011

SEWER DIVISION PROPOSED CONNECTION FEES FOR 2012

CALENDAR YEAR	CONNECTION FEE		INCREASE	INCREASE
	Per Bedroom	3 Bedroom House	Percent	Value
2007	\$1,530	\$4,590		
2008	\$1,830	\$5,490	19.61%	\$900
2009	\$2,120	\$6,360	15.85%	\$870
2010	\$2,410	\$7,230	13.68%	\$870
2011	\$2,700	\$8,100	12.03%	\$870
2012	\$3,105	\$9,315	15.00%	15.00%

Notes:

1. Average percent increase 2007 to 2011 is 15.29%.
2. Existing rates were determined based the SEA Consultants rate study.
3. The Town of Pepperell does not require mandatory connection.
4. Connection fee is based on the asset value of the connection.
5. Correlates to conservation based water
6. Betterment Fee for the last sewer project was \$4,400 per bedroom.

Superintendent Laurie Stevens told the Board that the current average annual water bill is \$354 which is 14% lower than the average of neighboring communities. A 9.5% increase will raise the average bill to \$387 or 6.7% lower than the average of those same communities. The cost per gallon of water is less than 1 cent.

A 29% increase in the sewer rates will put the average sewer bill at \$791 which is still 6.5% less than surrounding communities. Over three quarters of the sewer revenue is generated by user charges and currently about 25% (430 out of 1600 customers) are not connected.

Sewer connection fees will go up from \$2,700 per bedroom to \$3,105. Septage fees will increase by 10%. The remainder of the sewer revenue comes from the Town of Groton. Sewer rates to the Town of Groton will also be increased by 4%.

DPW Director Ken Kalinowski and Water/Sewer Superintendent Laurie Stevens recommends the Board of Public Works vote to increase water rates 9.5% with no change in fees and to increase the sewer rates 29%, Groton Rate 4%, Septage 10% and the sewer connection fees 15% effective January 01, 2012.

After some more discussion, Chairman Greg Rice said that as brutal as this is, if we go any lower we will have a dangerous problem in five years. He went on to say that he did not want to put another Board in this situation. DPW Director Ken Kalinowski said that procrastinating won't make it any better. Water and sewer have been undervalued. It costs money to treat the water it is not free. Also, the infrastructure is much older now. Chairman Greg Rice noted that there is no allowance for disasters.

Greg Rice made a motion to accept the recommended rate increase of 9.5% to water rates with no change in fees. Lewis Lunn seconded the motion. **The motion passed unanimously.**

Fred Farmer made a motion to increase the sewer rates as presented - Sewer use 29%, Groton Rate 4%, Septage 10% and the Sewer connection fees 15%. John Dee seconded the motion. **The motion passed unanimously.**

Chairman Greg Rice thanked all the staff for their work. The Chairman then closed the hearing at 7:58 p.m.

DPW Misc.

Next meeting dates: January 5, 2012
January 19, 2012

The motion to adjourn was made by Fred Farmer at 8:00 p.m. and was seconded by John Dee. **The motion passed unanimously.**

Respectfully submitted,

Catherine Knox
DPW Administrative Assistant