

**TOWN OF WOLFEBORO  
BUDGET COMMITTEE  
September 13, 2017  
Minutes**

**Members Present:** John MacDonald, Chairman, Bob Tougher, Vice-Chairman, Luke Freudenberg, Selectmen's Representative, Brian Black, Bob Loughman, Robert Moholland, Bob O'Brien, Members.

**Members Absent:** Harold Parker, John Burt, Steve Johnson, Members.

**Staff Present:** Dave Owen, Town Manager, Pete Chamberlain, Finance Director, Lee Ann Hendrickson, Administrative Secretary.

*Chairman MacDonald opened the meeting at 6:30 PM at The Great Hall.*

**I. Consideration of Minutes  
April 26, 2017**

**It was moved by Bob Moholland and seconded by Robert Loughman to approve the April 26, 2017 Wolfeboro Budget Committee minutes as submitted. All members voted in favor. The motion passed.**

**II. Discussion Items**

**a. Water Sewer Rate Study & Asset Management Plan Presentation**

Keith Pratt, Underwood Engineers, presented the Water Sewer Rate Study and Asset Management Plan, see attached.

Robert Loughman questioned the average household meter size.

Keith Pratt replied 5/8".

Dave Owen stated he and the BOS need to know the Budget Committee's position relative to funding the hydrant fee in order to determine whether the water rates need to increase. He stated the Town needs to notify Department Heads (to adjust their budgets) and users by mid-October if an increase is expected for January 1<sup>st</sup>. He reviewed the water rate adjustment options (per PowerPoint presentation). He requested guidance relative to the direction of the Committee and whether they intend to remain funding the hydrant fee at \$300,000.

John MacDonald questioned the number of fire hydrants.

Dave Owen replied 260.

Keith Pratt stated the cost to the water department is 20% or more to provide fire protection services.

John MacDonald stated the fee started at \$50,000 and is now up to \$350,000; noting he cannot justify the increase to the voters. He questioned why Laconia's hydrant fee is only \$75,000.

Dave Ford stated the Town of Wolfeboro has a smaller user base. He noted the Town has the highest water rates in the State.

John MacDonald questioned whether the Public Utilities Commission would accept the Town's rationale to increase the funding.

Keith Pratt replied yes, the proposal is defensible and not unique to the Town of Wolfeboro.

Bob Moholland asked when the last rate increase occurred.

Keith Pratt replied 2012; noting the rate increased from \$54 to \$60 per quarter.

Bob O'Brien questioned the number of households that receive water and sewer services.

Dave Ford replied approximately 2,300 water and 1,000 sewer.

Bob O'Brien questioned the number of residences and facilities.

Dave Owen stated there are 5500 households.

Dave Ford stated he would confirm residential vs. commercial properties.

Bob Tougher stated last year he looked at the 25 year average for hydrant fees; noting such was 14%. He stated the BOS wanted to increase the fee to 20% therefore, he tried to establish a middle ground; noting \$300,000 represented 16.9%. He stated he feels that those households with private wells do benefit from fire protection services. He stated a dramatic increase in rates could impact the business community. He stated the Committee needs to give guidance to the Town Manager and BOS so that the rates can be set.

**It was moved by Bob Tougher and seconded by Bob Moholland to set the hydrant fee/water rate at 17.5% for 2018.**

***Discussion of the motion:***

Brian Black asked if sewer is discharged at the Town's WWTP.

Dave Ford stated septage is hauled to Plymouth.

Brian Black asked if the Town gets a percentage from commercial septic companies disposing waste at the Town's facility.

Dave Ford stated that when the septage disposal is taken out of Town, no.

Linda Murray stated the Town had a water moratorium when she came onto the BOS. She stated the Town is trying not to respond to emergencies but rather, plan. She stated the Town has done the analysis and presented a well thought out plan.

**It was moved by Bob Tougher and seconded by Bob Moholland to set the hydrant fee/water rate at 17.5% for 2018. John MacDonald, Bob Tougher, Bob O'Brien, Robert Loughman, Bob Moholland voted in favor. Brian Black opposed. The motion passed.**

**b. 2017 Budget & Expenditure Reports**

Pete Chamberlain noted the following year to date expenditures; General Fund 66.940%, Water Fund 77.701%, Electric Fund 60.035%, Sewer Fund 76.550% and Pop Whalen Fund 57.381%.

John MacDonald questioned the balance of the effluent disposal system lawsuit and what happens to the funds.

Dave Owen replied \$4.5 million; noting the funds remain in the sewer fund.

Linda Murray stated the funds are for the resolution of the RIB site.

John MacDonald questioned whether police officer details are paid from the overtime budget.

Pete Chamberlain replied no, it's paid from the detail account.

Referencing the Police Department budget, Brian Black questioned the over expenditure of summer salaries and safety equipment.

Dave Owen stated time for the seasonal officers was extended and the over expenditure of safety equipment is related to uniforms.

John MacDonald asked if the latter is included in the Police contract.

Dave Owen stated it is included as part of the budget and noted Chief Rondeau wants to hire a cleaning service.

**c. CIP Report**

Dave Ford stated the Dockside parking lot, residential and commercial dock expansion and bathroom projects have been delayed to 2018. He stated Tighe & Bond performed an inspection of the Town docks, both residential and commercial, and the seawall at the Smith River; noting evidence of scouring and concrete sprawling of the latter. He stated there is some deterioration on the cribbing; noting repairs and/or replacement of such will be needed. Referencing the main commercial dock, he stated there are issues underneath with regard to the granite wall and the gang pilings are in poor shape; noting such could be addressed at the time of relocating the pilings. Referencing the residential docks, he stated the cross bracings for such need to be either upgraded and/or replaced; noting such would be scheduled for 2018.

Bob Tougher confirmed the iron strapping under the docks have deteriorated and are unstable in areas and there is concern for large groups of people on the docks.

Dave Ford stated signage would be posted on the docks regarding loading capacity.



Brian Black confirmed there is no impact to the dock expansion project.

Dave Ford stated the docking for the Mount Washington is impacted. He stated the expansion and repairs are related and could affect the project.

Bob Tougher reviewed his CIP report, dated 9/13/17, see attached. He noted the CIP Committee has not seen a request for funding of the Abenaki Ski Area Equipment Capital Reserve Account. He discussed the space needs study proposed for the Public Safety Building and the condition of the Libby Museum.

John MacDonald asked when Railroad Avenue Extension would be completed.

Dave Owen replied 2018.

John MacDonald questioned when the renovations to the railroad freight building would be completed.

Linda Murray stated the Lakes Region Model Railroad Museum has until December 2018 to raise funds for the renovation.

John MacDonald expressed concern for improvements done to Railroad Avenue Extension prior to the completion of the renovations of the building.

- d. **2017-2018 Draft Budget Review Meeting Schedule**  
Staff stated she would email such to the Committee.

**III. Town Manager Report**

Dave Owen noted the following;

- o Middleton Road Cemetery – Cemetery is open, fence is currently being constructed and BOS established fee schedule and Rules and Regulations
- o Foss Field Pavilion currently being constructed and DPW is the General Contractor
- o 2018 budget to include funding appropriations for Town Manager and Finance Director search (through MRI)
- o Center Street Project to begin on 9/25/17
- o Agencies scheduled to attend 9/20/17 BOS meeting

**IV. Other Business**

None.

**V. Informational Items**

None.

**VI. Public Comment**

None.

**It was moved by Robert Loughman and seconded by Bob O'Brien to adjourn the September 13, 2017 Budget Committee meeting. All members voted in favor.**



There being no further business before the Committee, the meeting adjourned at 7:57 PM.

Respectfully Submitted,

*Lee Ann Hendrickson*

Lee Ann Hendrickson

## CIP Report

Sept 13, 2017

### Projects

Water Treatment Plant Control Panels- \$175 thousand- from water fund balance (Asset Mgt Plan)  
Pine St water line- \$260 thousand- from water fund balance  
WWTP Upgrades- \$132 thousand- from capital reserve account  
Sewer Infiltration Reduction- \$400 thousand- from lawsuit settlement  
Wastewater Disposal, Design, Permit and Construction at the RIB Site- \$4 million- from settlement  
Library Construction- \$5 million, less private contributions, to be bonded  
Center St Construction- \$482,460- from grant and previous warrant article.  
Restrooms at Dockside- \$150 thousand- from current revenue  
Dockside Lot and Bulkhead Repair. Cost to be determined  
Docks Repair and Expansion- \$50 thousand in 2018 for engineering and \$250 thousand in 2019 for project. (Estimate)  
Cash or Bond to be determined.  
Bay St Sidewalk- \$45 thousand in 2018 and \$400 thousand in 2019 for project (Estimate)  
Solid Waste Building Expansion- \$140 thousand- from current revenue  
Road Maintenance- \$800 thousand- from current revenue. Keewaydin Rd, College Rd, Trotting Track Rd and Martin Hill Rd.  
Railroad Ave Extension- \$70 thousand- from current revenue

### Equipment Replacement From Capital Reserve Accounts

FD to Replace Engine 2- Tanker/ Pumper- \$550 thousand (1998)  
PW/HWY to Replace HD 7- \$120 thousand (1.5 Ton Dump/Plow- 2004)  
PW/HWY to Replace HD 19- \$150 thousand (Loader- 1991)  
PW/HWY to Replace HD 20- \$30 thousand (Roller) Age Unknown

### Capital Reserve Account Contributions

Wastewater Treatment Plant- \$125 thousand  
Hwy/Solid Waste- \$170 thousand  
Fire Department Vehicles and Equipment- \$186 thousand  
Building Maintenance- \$75 thousand  
Abenaki Ski Area Equipment- \$16,750

# WATER/SEWER RATE STUDY 2017 UPDATE WOLFEBORO, NH

Underwood Engineers  
September 13, 2017

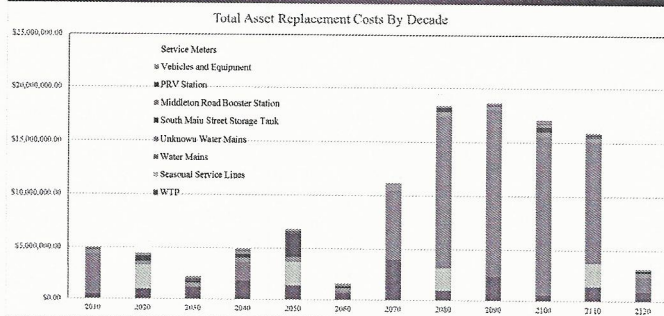


## Goals/Purpose

- Estimate the Town's expenses and project the Town's revenues for the next five years
- Provide rate adjustment recommendations
- Show rate impact from reduction of Hydrant Fees (General Fund)
- Consider short and long term rate adjustments to support the recently completed Water Department Asset Management Plan and 10-year CIP



## Asset Management Plan: Asset Replacement Costs by Decade



## Asset Management Plan: Long Term Funding

- Entire life cycle of the system (120 years) broken down into 2 Planning Periods
- Planning Period 1
  - 0-60 years
  - Approximately \$31M worth of replacements
  - Approximately \$510K per year
- Planning Period 2
  - 60-120 years
  - Approximately \$90M worth replacements
  - Approximately \$1.5M per year
- Alternatively Planning Period 1 & 2 together
  - Save/invest \$1M per year over 120 years





## Asset Management Plan: Implementation of Funding

- Parts of the AM Plan are already funded under the current budget
- Establish a Water System Capital Reserve Fund
- Near term projects could be accomplished with the Water Department Fund Balance, until debt services fall off
- As debt continues to fall off, put surplus into Capital Reserve Funds to support the AM Plan
- Major projects could be delayed or bonded

## Asset Management Plan: Implementation

- Increase Water System Budget for capital replacements and repairs
- Replace critical assets identified within the AM Plan
- Complete improvements identified within the 10-Year CIP

## Current Rates

- Includes 1,500 gal per month
- Seasonal rate is \$190/season (6 months)

Type	Monthly Unit Charge (5/8" meter)	Consumption Charge (per 1000 gal)
Water	\$20	\$10.52
Sewer	\$20	\$16.15

## System Information

Meter Size	Water Accounts	Sewer Accounts
5/8" year round	2,166	857
1"	53	41
1 1/2"	11	8
2"	21	21
3"	2	2
4"	2	2
6"		
8"		
10"		
Deduct Meters (5/8 and 1")	N/A	138
Seasonal Units	209	39



## Budget Assumptions

- Budgeted expenses (2017) were provided by the Town.
- Projected expenses included a 2% increase per year starting in 2018.
- Legal, contract operations, and debt service, were adjusted per budget needs.



	Water	Sewer
Overall	2% increase in line items per year	2% increase in line items per year
Consultants	\$22k per year	\$10k per year
Legal	\$0	\$0
Capital Outlay	\$115k in 2018, with an additional \$5k each year	\$0
Capital Reserve transfers	Per CIP	Per CIP, \$125,000 annually to Capital Reserve Fund from General Fund
General Fund Revenue	Fire Protection as Follows: <ul style="list-style-type: none"> <li>300k in 2017</li> <li>20% of total budget 2018 &amp; beyond</li> </ul>	The following line items are paid by GF: Legal, P&I, Capital Outlay and Capital Reserve
Fund Balance	Minimum of 5 mo. of operating costs (\$750k)	Minimum of 5 mo. of operating costs (\$750k)
New Debt	Whitten Neck Road Water Line Upgrades, payments beginning in 2018	None



## Water Department Budget

Period	O&M	Debt	Total	Notes
2017	\$1,030,238	\$738,244	\$1,768,482	Budget
2018	\$1,058,303	\$756,669	\$1,814,972	Projected
2019	\$1,081,729	\$732,879	\$1,814,608	Projected
2020	\$1,105,523	\$679,797	\$1,785,320	Projected
2021	\$1,129,694	\$583,019	\$1,712,713	Projected
2022	\$1,154,248	\$552,458	\$1,706,706	Projected



## General Fund Offsets

Period	Water Department	Sewer Department
2015	\$345,000	\$803,140
2016	\$345,000	\$782,870
2017	\$300,000	\$763,315
2018	\$362,994	\$742,705
2019	\$362,922	\$721,818
2020	\$357,064	\$696,009
2021	\$342,543	\$575,804
2022	\$341,341	\$559,729





## General Fund Contribution - Water

- It is common practice that the General Fund (general taxation) is assessed a Fire Protection Charge because it is an obligation of general government.
- Water department offsets from the Town General Fund are for fire protection charges

## Fire Protection Charges American Water Works Association (AWWA)

# Principles of Water Rates, Fees, and Charges

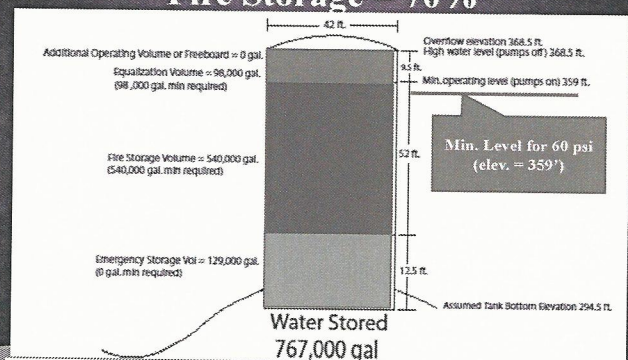
MANUAL OF WATER SUPPLY PRACTICES

**M1**

## AWWA Guidance

- Two methods are generally used to establish the costs associated with fire protection:
  - Cost curves
  - Cost Allocation Study (Cost of Service)
- Fire protection charges include the following costs:
  - Larger tanks, larger mains, backflow preventers, hydrants, etc.
- Sprinklers (service connections) are another source of revenue relating to fire protection charges (user based charge)

## Tank Storage Volume Fire Storage = 70%





## Water Main by Size 8" or larger = 63%

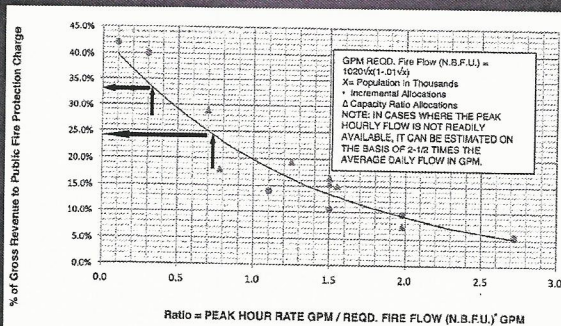
Size	Length (Feet)	Percent of System
4	4,537	2%
6	75,122	36%
8	44,280	21%
10	22,240	11%
12	65,430	31%
<b>Total</b>	<b>211,609</b>	<b>100%</b>

- ~250 municipal hydrants

## Fire Protection

- AWWA suggests fire protection costs can range from 5% of the budget for larger systems to 40% for smaller systems
- Previous analysis has shown Wolfeboro fire protection charges should range from 24% - 33%

## Cost Curve - AWWA



## Fire Protection

- Previously, fire protection offsets were 20% of the budget, but dropped to \$300,000 for 2017
- Three fire protection scenarios were evaluated for this rate model:
  - 20% of the budget
  - \$300,000 per year (~17%)
  - \$250,000 per year (~14%)
- UE suggests 20% is appropriate for Wolfeboro



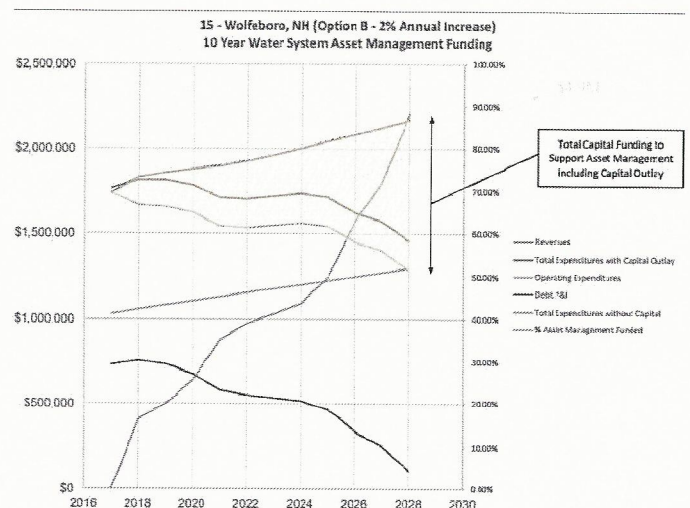
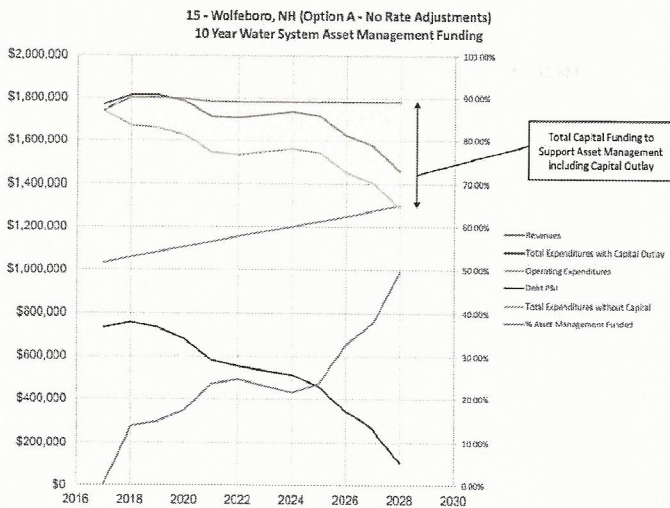
## Water Rate Adjustment Options

	Option A	Option B	Option C	Option D
Rate Adj.	0% per yr.	2% per yr.	2% per yr.	2% per yr.
Add. 1 Time Increase			6% in 2018	10% in 2018
GF Contribution	20% per yr.	20% per yr.	\$300k per yr.	\$250k/yr.
Balance @ 5 yrs.	\$1,130,650	\$1,554,743	\$1,574,390	\$1,610,900
% AM Funded @ 2028	50%	88%	90%	91%

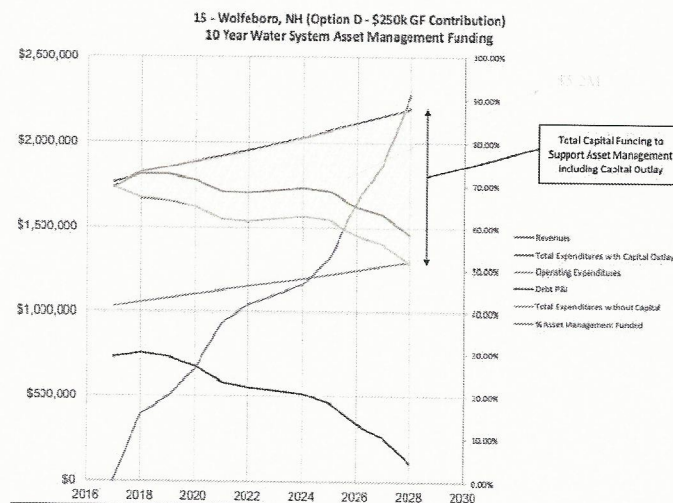
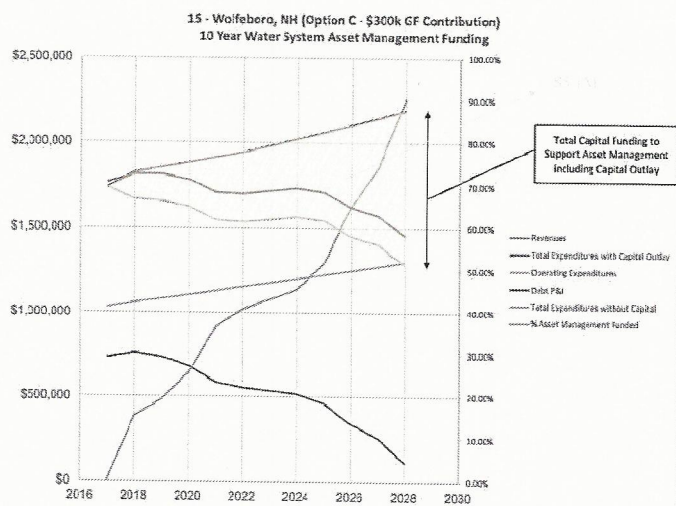


## No Rate Adjustments (Option A)

Year	Operating Budget	
	Water	Sewer
2017 – Projected	(\$27,640)	\$33,750
2018 – Projected	(\$11,136)	\$11,659
2019 – Projected	(\$10,844)	(\$7,775)
2020 – Projected	\$12,586	(\$27,597)
2021 – Projected	\$70,672	(\$47,815)
2022 – Projected	\$75,477	(\$68,438)







## Recommendations - Water

- Raise rates to match operating increases
- Monitor consumption and revenues to make sure they are as projected in this study
- Maintain minimum of 3-6 months of operating expenses in fund balance for emergencies  
— \$750,000 (Each for Water and Sewer)
- As water fund debt service payments fall off, surplus revenue should be applied towards the asset management plan and CIP (Option A, B, C or D)

## Recommendations - Sewer

- Monitor consumption and revenues to make sure they are as projected in this study
- Rate increases of 2.5% in 2019, 2020, 2021 and 2022 would support the Sewer Department budget
- Update Sewer Rate Model once the CIP and Asset Management Plan are complete

## Questions and Answers

 **UNDERWOOD**  
engineers