

TOWN OF IPSWICH
Finance Committee
Meeting of March 7th, 2019
Town Hall, 25 Green Street

With a quorum present, the Chair called the meeting to order at 7:33.

Finance Committee members present: Chair Janice Clements Skelton, Tammy Jones, Jamie Fay, Walter Hartford, Kevin Murphy, Michael Schaaf, Rob White, Michael Dougherty

Not present: Chris Doucette

1. Citizens Queries – Janice Clements Skelton

- No citizens queries.

2. Acceptance of Finance Committee Minutes – Janice Clements Skelton

- 2/26/19 and 2/28/19
 - Notes will be approved next week.

-----Municipal Budget Hearings -----

* Janice noted that there is a shortened agenda tonight because the ELD was planning to come tonight, which has been delayed. There is no date yet.

3. Water and Water Treatment – V. Halmen

The water department serves 98% of the population. Vicki went over the goals, objectives, and accomplishments for the department, as presented in the budget book. Vicki also went over the budget, which is up 11% from last year due to Capital. Increases in Capital are due to pickup truck replacement, Lynch well site development, SCADA communication network upgrade, and asset management plan. Future Capital includes water station generator and water main replacements. Vicki went over the upcoming projects. First she discussed the current water tank, which provides pressurization for the community. The tank needs to be painted and eventually another tank needs to be added. The big tank would be taken offline. Jamie asked if we could do a temporary tank, Vicki said they could, they are still in the planning phases. Jamie asked if it is critical for it to be painted. Vicki said it has been over 20 years and she does not want to wait until it fails.

There is no debt service for any of these projects in the budget, but the department will be requesting a \$5.5M bond at this coming town meeting because the High Street project will be constructed this summer. Rob asked how much the materials cost for the High Street project. Vicki said she doesn't have that information right now, but valves can be very expensive. Rob also asked if the state would pave the road, Vicki said the state already paved the road so we will probably be responsible for most of it. Mike D. asked the DPW director about communications between the two departments and if there has been communications. Vicki said it has improved, but there is a difficulty because projects are funded differently and the water department projects require a lot more permitting. Vicki also discussed some upcoming projects that the Water Department and DPW will need to work together on. These projects include the County Street Bridge and High Street updates. Additional potential future debt would be for replacement of Brown's Well and evaluation and rehab of the Water Treatment Plant updates, and continued water main replacements. Michael S. asked Vicki about the policy for inquiries for information. Vicki said there is no policy but they do their best to respond. They respond immediately in regards to water quality. Michael suggested that the subcommittee should make a policy regarding this, as he requested information and it took a month to get feedback. Jamie asked Michael if he was requesting that information as a member of the Finance Committee, Michael said he was not. Michael also asked about the water rate. Vicki said for 2017 it was 16%, average was 9% from 2012-2016. State goal is 10%. Michael asked what water conservation programs the department is involved in. Vicki said they are doing a rain barrel program. Vicki also discussed the wells and leaking pipes, as well as having more costumers to manage. She also mentioned that we have 70 million gallons of storage, and we used to think we had 90 million. It is unclear if this is due to an actual loss in volume, or if it is due to better calculations. We are dependent on our reservoirs. Ipswich struggles in draught situations, and we need to be able to support new customers, so new sources are needed. Michael asked about how many gallons are leaking, and what if we were to address this more vigorously as well as undertake a conservation program with low flow toilets. Would this relieve the rationale for a well? Vickie said this would help reduce the annual draw from the system but would not increase the draught resiliency. Jamie asked about the difference between having the capacity and actually using it. Vicki

said there are restrictions on what they are actually allowed to pump. Michael asked if we could build another reservoir. Janice said there is a document that has a lot of this information and perhaps the FinCom members should take more time to explore the document. Michael also asked about the early pay discount and Vicki said she would have to get back to him. Michael suggested maybe this discount should be reduced or limited, Janice said this comes up every few years and the discount was put into place to normalize cash flow for the two departments. By keeping this in place, there is a decrease in the amount of late payments and it is a considerable amount of money to the rate payers that take advantage of it. Rob asked if there is a reason that we don't petition to draw on the Ipswich River. Vicki said the Ipswich River is already over-allocated. Game plan is to rehab Brown's well and get the Lynch Wells up. Rob also asked about Permanent Wages. Vicki said there are some timing issues with staffing and there are also splits between water and sewer, so they modified some of the splits to even things out based on the workload. The department was also able to obtain a higher grade licensed operator at the treatment plant whereas they had budgeted for a lower-grade operator. Rob also asked about the increase in run rate, Vicki said it is because of the purification chemicals. The budget is adjusted for the rate of use. Vicki also discussed what the "other consultants" charge is for, and she said that it varies depending on where it is in the budget. Rob pointed out inconsistencies in the surplus, Vicki said she would take a look into it and get back to FinCom. Rob asked if Vicki could also provide a few sentences explaining the changes in surplus. Vicki presented a slide on surplus.

Vicki then presented the 5-year Water Budget Projections. The department is trying to maintain the surplus and balance the rate increases. Rob asked if the rate increases have been blessed by the Board of Commissioners and the Select Board, Vicki said yes. Vicki also presented the rate comparison, we are in the middle of the pack. Jamie asked why the OPEV contribution is going down to 0. Ray said it is because the water department had a \$20,000 surplus at the end of 2019, so instead of funding it to \$50,000 they dropped it down to 40 because the surplus wasn't huge like Wastewater.

Using the assessment done in 2002, a baseline number for the value of the department is \$90M, which would be used to replace the water system, sources, and infrastructure. Vicki provided a breakdown for this number, as presented in the budget book. She also provided some current projects to give some perspective to these numbers. Most of the assets are past their useful life, and the goal is to get ourselves into a proactive position vs. being reactive all the time. Vicki is hoping to create a fund for each utility where we would be dedicating the funds to system replacements. This goal needs to be achieved within a defined period of time, as everything is past its useful life already. The department is planning to charge a flat fee per user per utility. Jamie asked for an explanation of the flat fee. Vicki said this would be a predictable amount of money, a flat fee that is on top of the user fee. It is not related to usage, it is per user. The Finance Committee wondered if this should be based on water usage instead. Vicki said it is just simpler this way. Vicki said the details have to be worked out, this is just meant to be an introduction to this idea so the magnitude can be understood. Jamie said it would be beneficial to provide incentives. Kevin said he would be concerned with the term "flat" fee because it will be harder to get people on board. Smaller families will not like that they are paying the same amount as large families and businesses. Janice said this will be a 15% increase and the conversation needs to be around equity. We need to be able to go to the community with the critical need, and with an understanding that we are applying the formula in a way that is equitable across the community. Michael D. said it is clear that this is going to need to be a collaborative effort with the subcommittee and with the rate payer, but tonight's presentation is to inform people of the need. Janice said that while nobody disagrees with the need, we are also looking at a lot of other increases, and rate payers may say no if people don't feel this is being done equitably. Janice asked about timing. Vicki said this is not ready to be rolled out at any point soon. The asset management plan in FY20 will be the guide for this. The bottom line is we need to start building the funds sooner rather than later. The longer we wait, the more painful it will be. Michael D. said the sub-committee will do their best to advertise meetings when this will be discussed, and will also request one or two tri-board meetings. Jamie asked if this could just be accomplished by raising rates, as opposed to creating a new rate structure. Michael D. said this idea of the flat fee was to ensure that this money is being allocated directly towards Capital and isn't being used for other needs.

Jamie asked Vicki about GIS and mentioned that a lot of departments have a need for GIS support, but not necessarily a full-time need. Vicki said she is more removed from GIS than she used to be, but it is a hugely beneficial tool that the department uses significantly. The engineer that was brought on last year has a huge amount of GIS knowledge and they are using this to create an asset management plan. Currently there is not a process or a person that is in charge of tracking changes that have been made, so GIS is relied upon less and less because it is not updated. In the last few years there has been several new hires that are well trained in GIS and it is becoming clear that it is needed. A consultant is being used now, but there is no internal point person to manage the communication. Jamie suggested the department finds some contracted GIS support. Vicki said different departments have needs for this at times and contractors are hired sometimes. The issue is that there isn't much communication between consultants. Vicki said we need a data management software and process that will make it easy to make updates as we go. Michael S. also said he

called the DPW and asked where the gas lines are in Ipswich, and they didn't know. He suggested a database should be put together that includes the gas lines.

4. Wastewater – V. Halmen

The Wastewater Department serves 50% of the population and the sewer system is condensed predominantly to the downtown area. Vicki went over the goals and accomplishments as presented in the budget book. She then discussed the wharf station evaluation. A report will be available in May. This plan took storm surges into consideration and the station will have to be moved or rehabbed so it doesn't get flooded. Janice asked about where the water station would be moved to, Vickie said it would be in the same area, would just be shifted to a higher location with water tight doors. Jamie asked if Vicki is anticipating be able to take advantage of some stage funding. Vicki said there are a lot of programs and she is making sure the department is positioned properly to take advantage of all the programs out there. Jamie also asked about the syphon. Vickie said there is a syphon that goes under the river and conveys all of the waste from the south side of the river to the north side. The piping is all original from the 50's. As the North Bank erodes over time, there is extra stress on the pipe that it was not designed for. There was an evaluation done of the syphon and the pipes which found that the diameter of the pipes are too large. This makes the sewage flow too slowly which has caused problems. The solution would be to install three smaller diameter pipes, and rehab the interceptor pipe.

Jamie asked if the department is also working on an overflow chamber at the town wharf. Vickie said there is an overflow structure near the wharf, but the river water is leaking back into the station and then that is treated. This shouldn't be happening so an internal check valve was installed. Vickie has concerns about if waster were allowed to back up, it would get into basements. Jamie asked how much time there is before it starts to back up and the tank has to be emptied. Vickie said it is only a few hours. Janice asked who would be effected in a catastrophic failure and if they are aware. Vickie said it would be people in low lying homes on the banks of the river, and they have not done any outreach to warn them of this. Tammy asked if there is any system or plan that is in place to alert people to stop people from flushing toilets. Vickie said they would use the town's alert system. The rehab of the interceptor and replacement of the siphon are the top priorities right now and are in the works. There will be a year gap before this project can get started due to permitting. Vickie also discussed the control plan which was submitted and is being executed, which will lead to more projects for pipe rehab and replacement.

Jamie asked how much money the department is putting toward I&I, Vickie said they are doing the metering right now, \$100,000 in the next few years to keep working on evaluation and target areas. Metering in April will determine where extra water a coming from. This is a multiphase program with metering, camera work, correcting and sealing, and corrective measures. Currently, they are just doing the \$100,000 projects until they find the section that needs the most work. Jamie asked if Vickie has looked at reports that have been done in the past. Vickie said there was a lot done in the 80's and they also did a project in 2009 to look at that past report and fill in the blanks. Some corrective measures were taken but the town did not invest in repairs. We will now try to move forward with this. Jamie asked if sump-pumps are still an issue, Vickie said yes. When anyone sells a property, they have to have an inspection, and if a sump-pump is connected to the sewage it has to be removed. This still seems to be a problem with extra water in the system. Janice asked why extra water in the system is a problem. Vickie said first it is a problem because it's ground water and it should stay in the ground to keep the watershed in good shape. If it gets sent to wastewater, it dilutes the water and creates a change in the water which alters the process and creates a rush of clean water in the system. A lot of extra electrical costs, chemical costs, and extra staffing is needed.

Vickie then gave an overview of the proposed FY20 budget. Increases are predominantly due to capital. Reasons for increases are due to salaries and expenses, pickup truck, town work post station consultant, permitting and design on the siphon and interceptor, and the blower replacement design. Also for continued funding for I&I, asset management plane for water and wastewater department.

Debt has been stable for the last few years. Projecting 8 million in debt for interceptor and siphon, and town wharf pump station. Vicki said they will also look for grant funding, and these quotes are also worst case. Potential debt going forward would be to tackle the I&I and to replace pipes that are 60 years old. The department is proposing to use surplus and is also proposing a 6% rate increase. Janice asked why the department is looking at a rate increase if there is still \$700,000 left in surplus. Rate increases are needed so that the surplus can continue to be stabilized. Vicki discussed the new rate, an average family of four would pay about \$5 more. Jamie asked Vicki to explain this rate structure because of the study Vicki sent around. Vicki clarified that the study that was sent around was what the state recommended. The state recommended 65, we are at 48, but we want to be conservative. Michael Schaff as for clarification on the "5-Year Wastewater Budge Projections Chart". Vicki went over the chart and also said she would send it to FinCom so they have it. Vicki also went over rate comparisons with where we are now and where we will be with 6% increase. We will still be

somewhere in the middle. Walter asked about the 5-year plan. Vickie said the pipe rehab programs are not in there, so we will need more money. They are waiting for more data. There is no rush to do a mass change out, but Vicki doesn't want to ignore it and then have to play catch up. Michael said that FinCom has been supportive of the Essex Management Plan and he is pleased they are moving forward with this. He also asked how the Wastewater Treatment Plant has performed in terms of environmental standards. Vicki said they have done several million dollars worth of upgrades in the last five years. They have not had any recent violations and she thinks they have a good handle on the treatment process. There have been no overflows. Michael asked about any capital plans relative to climate resiliency. Vicki said the Wastewater Plant should be looked at for flooding. Currently the biggest effort is related to the wharf and the siphon. Michael also asked if the wastewater department provides a discount for early payers. Vicki said it does not, water does. Rob asked about replacements of pipes in FY20, Vicki said no. Nothing is planned for collection systems, they are waiting for evaluation. Rob also asked in regard to the 6% increase, did they consider a 3% and 3%. Vicki said whatever is deferred it builds and gets more difficult in years to come, so it didn't work. Tammy asked if there are any plans to find ways to use treated wastewater to recharge the aquifer. Vicki said that was a part of a study that was just done and the report is available online. The report showed that it would require significant additional treatment and would have to be pumped. It would be very expensive. Jamie said he noticed OPEV was reduced and why. Ray Luzinski, business manager, responded that there is a surplus this year, so we decided not to pay money in to have a bigger surplus. The wastewater OPEV fund is projected to have a \$200,000 surplus and they are ahead of schedule. Jamie said there is a deficit because there is not enough money to fund all of the future projects. Jamie would like to go over this further. Rob said they cannot have a surplus because the town has a liability. Ray said they can because the funds are set up separately. Jamie asked who approved the decision to go to 0. The subcommittee made the decision. Jamie asked what involvement the town had in that decision. Sarah provided the report and Ray worked with her on this. Michael D. suggested at the subcommittee meeting that they should not go down to 0, maybe lower it instead. Ray said the future liability for wastewater is funded.

5. New/Other Business – J. Skelton

- Janice said the ELD package was sent over and she encouraged people from FinCom to join the Select Board meeting Monday night if they have an interest in this.
- Jamie asked Michael S. to give an update. Michael explained the Capacity Market system, which Ipswich has participated in for quite some time. Ipswich makes money being a part of this program because the ELD receives a money to be ready. The market is predictable and we know what we will get for a fee. Capacity Market bids are going to be declining, and it may no longer be worthwhile for us to participate. This is contracted, so a formal approval must be obtained to withdraw from this market. The proposal that the ELD is putting forward is to withdraw from the market because it will be uneconomic, and secondly, that we operate the plant to provide our own power into the grid at peak power periods. The subcommittee would like to create a fund for decommissioning the plant at some point in the future, and would also like to set aside some funds for investments in renewable energy. Janice asked if we have the reliability to provide energy and if we don't can we default to the grid. Michael said we can default to the grid. Michael also said there is also a financial plan and discussion happening in the ELD subcommittee, Jamie asked if FinCom could see the plan. Jamie also asked about our current obligation, Michael said it is a declining obligation. A discussion ensued about the power supply and peak energy, and what the best thing to do with the power plant would be to make money. Michael said the best thing to do to avoid peak power costs is to create an energy storage system that is supplied by renewable energy. The committee also discussed that there was a mistake made in the newspaper that should be corrected. Janice said further questions can be answered Monday night at the Select Board meeting.
- Janice said the School Board will be coming in next week and reminded FinCom to get questions to Sarah before the meetings. Janice also said she will be missing Thursday night's meeting. Michael asked if there was an agenda item to discuss Feoffees. Janice said that is not specifically scheduled but it can be discussed.

7. Adjournment – Janice Clements Skelton

- Motion to adjourn made by Michael S. and seconded by Jamie.
→Vote: Motion passed unanimously, 8-0

Respectfully Submitted By
Alyson von der Esch
3.8.19