

## 2018 WATER AND SEWER BUDGETS

### Overview

This document provides a discussion of the 2018 Water and Sewer Budgets. The report includes (1) tables that show the changes to the 2018 budget, (2) a discussion of the changes, and (3) a discussion of each line item. A discussion of revenues and rates is also included to provide context for the budget. The department is still working on the capital budget.

### Sewer Operating Budget Overview

The Sewer Operating Budget for 2018 is \$430,651, an increase of \$108,633 over the 2017 Budget. The major increases in the budget are contractual: 6230 Contract Operations \$90,000, and 6840 Payroll Expense \$10,247.

**Table 1: Summary of the Changes to the 2018 Sewer Operating Budget**

ITEM	CATEGORY	2017	2018	CHANGE
6030	ADMINISTRATIVE FEE	\$1,250	\$960	-\$290
6050	ADVERTISING	\$100	\$1	-\$99
6090	AUDIT	\$2,900	\$2,750	-\$150
6140	BUILDING OUTSIDE MAINT.	\$0	\$2,500	\$2,500
6180	COMPUTER MAIN. & EXP	\$350	\$3,000	\$2,650
6230	CONTRACT OPERATIONS	\$200,000	\$290,000	\$90,000
6580	LEGAL EXPENSE	\$6,000	\$7,000	\$1,000
6795	OFFICE EQUIP EXPENSE	\$1,000	\$3,250	\$2,250
6840	PAYROLL EXPENSE	\$20,674	\$30,948	\$10,274
6860	POSTAGE	\$2,000	\$1,123	-\$877
6970	PROP, AUTO & LIAB INS	\$2,000	\$1,739	-\$261
7190	TELEPHONE/INTERNET	\$684	\$820	\$136
7210	TESTING - LAGOONS	\$2,500	\$3,500	\$1,000
7250	VEHICLE MAINT & EXPENSE	\$1,000	\$1,500	\$500
TOTAL				\$108,633

### Summary of Increases to the 2018 Sewer Budget

This section provides a discussion of the increases to the 2018 Sewer Budget.

- **6140 Building Outside Maintenance:** \$2,500, an increase of \$2,500 for a new door and window at the Waste Water Treatment Facility (WWTF).

- **6180 Computer Maintenance and Expense:** \$3,000, an increase of \$2,650 due to the purchase of Computerized Maintenance Management System (CMMS) software and E.J. Prescott meter reading software. The CMMS software is part of the overall Asset Management program strongly recommended by NHDES.
- **6230 Contract Operations:** \$290,000, an increase of \$90,000 due to a new hire needed to operate the Septage Receiving Station and increase in maintenance requirements as a result of NHDES requirements, and the addition of accounting services to comply with audit recommendations.
- **6580 Legal Expense:** \$7,000, an increase of \$1,000 to cover new construction contract review and easements.
- **6795 Office Equipment:** \$3,200, an increase of \$2,250 for furniture and office machines for new office.
- **6840 Payroll Expense:** \$30,984, an increase of \$10,274 due to union contract plus an error in the 2017 Budget (salary was listed without benefits).
- **7190 Telephone/Internet:** \$820, an increase of \$136 due to increased costs.
- **7210 Lagoon Testing:** \$3,500, an increase of \$1,000 to cover new NHDES testing requirements.
- **7250 Vehicle Maintenance & Expense:** \$1,500, an increase of \$500 to cover additional maintenance for older vehicles.

### **Summary of Decreases in the 2018 Sewer Budget**

This section provides a discussion of the increases to the 2018 Sewer Budget.

- **6030 Administrative Fee:** \$960, a decrease of \$290 based on actual cost information provided by the Town Administrator.
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- **6050 Advertising:** \$1, a decrease of \$99. Advertising costs are associated with capital projects.
- **6090 Audit:** \$2,750, a decrease of \$150 that was paid for consulting on budget issues in 2016.
- **6860 Postage** \$1,123, a decrease of \$877 based on projection of actual spending.
- **6970 Property & Liability Insurance:** \$1,739, a decrease of \$261 based on actual cost.

## 2018 Sewer Operating Budget

This section provides a discussion of the Sewer Operating budget by line item.

- **6010 Administration \$2,000**
  - Commissioner's stipends: \$1,750
  - 3 newsletters: \$250
- **6030 Administrative Fee \$960**
  - Minutes: \$180 (1/2 of 12 meetings @ \$30/meeting)
  - Treasurer: \$630
  - Financial Officer: \$150
- **6050 Advertising \$1**
  - Advertising costs will be part of spending on capital projects
- **6090 Audit \$2,750**
  - Contract with Melanson ( 1/2 of \$5,500)
- **6140 Building Outside Maintenance \$2,500**
  - Estimate for new door and window at the WWTF.
- **6180 Computer Maintenance and Expense \$3,000**
  - Microsoft 360: \$50
  - BSMI Billing System Software \$300
  - 1/2 Abit Computer Maintenance \$500
  - Computerized Maintenance Management (CMMS) Software \$750
  - QuickBooks \$150
  - E. J. Prescott Meter Reading Software - \$1,250

Note: Default Budget \$2,000 – Abit not a contract
- **6210 Continued Training & Ed. \$250**
  - Estimate for GIS/MVP Computerized Maintenance Mgmt System (CMMS) Software training
- **6230 Contract Operations \$290,000**
  - 72% of The Utility Partners Contract: \$400,000/yr
  - James M. Reera accounting services contract - \$2,000
- **6320 Electric – \$16,000**
  - Existing operations - \$13,500
  - Septage Receiving Station \$2,500

- **6340 Engineering** \$20,000
  - GIS Updates \$5,000
  - Nobis Engineering consulting \$10,000
  - Emery & Garret water quality testing contract \$5,000
- **6430 – General Expense** \$500
- **6520 – Instrumentation & Alarm** \$1,500
  - Estimate for Sewer Pump Station alarm needed if/when town accepts ownership of Verne Marion’s sewer line.
- **6560 Lagoon Maintenance-Sewer Plant:** \$3,780
  - Head Works grit removal
- **6580 Legal Expense** \$7,000
  - Estimate for new construction contracts review, easements
- **6630 Mains, Maintenance, & Repair** \$10,000
  - Estimate for sewer main breaks, repairs, scoping, and de-rooting. NHDES requires that 1/3 of the sewer lines be scoped each year.
- **6750 New Equipment Expense** \$1
  - Purchases of new equipment for 2018 will be capital expenses
- **6795 Office Equipment Expense** \$3,250
  - Conference table and chairs \$1,500
  - Projection equipment \$1,000
  - Folder/Stuffer \$750
- **6810 Office Supplies** – Estimate \$500
- **6840 Payroll** – \$30,948
  - 1/2 salary and benefits - union contract
    - Hourly rate \$17.25, over 52 pay periods = \$35,880
    - FICA (6.2%) = \$2,224.56
    - Medicare (1.45%) = \$520.26
    - NHRS (retirement Group I – 11.38%) = \$4083.14
    - Medical (two person insurance (\$1,663.74) - \$25/wk = \$18,664.88
    - Life & Disability = \$523.16
    - Total = \$61,896.
- **6860 Postage** \$1,123
  - Based on actual spending.

- **6970 Property & Liability Insurance:** \$1,739
  - Based on actual cost.
- **7010 Pump Station Maintenance** \$1,000
  - Estimate for flow meter replacement/repair
- **7060 Sewer Grit Chamber Expense** \$20,000
  - Estimate for cleaning head works and piping
- **7100 Sewer Pump Station Maintenance** \$6,000
  - Estimate for grinder pump repairs, pump station pump replacement
- **7190 Telephone/Internet** \$820
  - Based on actual cost
- **7210 Testing – Lagoons** \$3,500
  - Estimate based on new testing requirements
- **7250 Vehicle Maintenance** \$1,500
  - ½ vehicle maintenance estimate based on age of vehicles

## Water Operating Budget Overview

The Water Operating Budget for 2018 is \$244,441, an increase of \$41,535 over the 2017 Budget. The major increases in the budget are contractual: 6230 Contract Operations \$36,000 and 6840 Payroll Expense \$10,247. Table 2: Summary of Changes to the 2018 Water Budget shows all of the increases and decreases to budget line items.

**Table 2: Summary of the Changes to the 2018 Water Operating Budget**

ITEM	CATEGORY	2017	2018	CHANGE
6030	ADMINISTRATIVE FEE	\$1,250.00	\$960	-\$290
6050	ADVERTISING	\$100.00	\$1	-\$99
6090	AUDIT	\$2,900.00	\$2,750	-\$150
6180	COMPUTER MAINT & EXP.	\$350.00	\$3,000	\$2,650
6230	CONTRACT OPERATIONS	\$78,000.00	\$114,000	\$36,000
6320	ELECTRIC	\$16,000.00	\$7,600	-\$8,400
6795	OFFICE EQUIP EXPENSE	\$1,000.00	\$3,250	\$2,250
6840	PAYROLL EXPENSE	\$20,674.00	\$30,948	\$10,274
6860	POSTAGE	\$2,000.00	\$925	-\$1,075
6970	PROP, AUTO & LIAB INS	\$2,000.00	\$1,739	-\$261
7190	TELEPHONE/INTERNET	\$684.00	\$820	\$136
7250	VEHICLE MAINT & EXPENSE	\$1,000.00	\$1,500	\$500
TOTAL				\$41,714

### Summary of Increases to the 2018 Water Budget

This section provides a discussion of the increases to the 2018 Water Budget.

- **6180 Computer Maintenance and Expense:** \$3,000, an increase of \$2,650 due to the purchase of Computerized Maintenance Management System (CMMS) software and E. J. Prescott Meter Reading Software. The CMMS software is part of the overall Asset Management program strongly recommended by NHDES.
- **6230 Contract Operations:** \$114,000, an increase of \$36,000 due to a new hire needed to operate the Septage Receiving Station and increase in maintenance requirements as a result of NHDES requirements, and the addition of accounting services to comply with audit recommendations.
- **6795 Office Equipment:** \$3,200, an increase of \$2,250 for furniture and office machines for new office.
- **6840 Payroll Expense:** \$30,984, an increase of \$10,274 due to union contract plus an error in the 2017 Budget (salary was listed without benefits)

- **7190 Telephone/Internet:** \$820, an increase of \$136 due to increased costs.
- **7250 Vehicle Maintenance & Expense:** \$1,500, an increase of \$500 to cover additional maintenance for older vehicles.

### **Summary of Decreases in the 2018 Water Budget**

This section provides a discussion of the decreases in the 2018 Water Budget.

- **6050 Advertising:** \$1, a decrease of \$99
  - Advertising for projects will be part of the capital budget
- **6030 Administrative Fee:** \$960, a decrease of \$290 based on actual cost information provided by the Town Administrator.
- **6090 Audit:** \$2,750, a decrease of \$150 that was paid for consulting on budget issues in 2016.
- **6860 Postage** \$925 a decrease of \$1,075 based on actual spending.
- **6970 Property & Liability Insurance** - \$1,739, a decrease of \$261 based on actual cost

### **2018 Water Operating Budget**

This section provides a discussion of the Water Operating budget by line item.

- **6010 Administration** \$2,000
  - Commissioner's stipends: \$1,750
  - 3 newsletters: \$250
- **6030 Administrative Fee** \$1,139
  - Minutes: \$180 (1/2 of 12 meetings @ \$30/meeting)
  - Treasurer: \$630
  - Financial Officer: \$150
- **6050 Advertising** \$1
  - Advertising costs will be part of spending on capital projects
- **6090 Audit** \$2,750
  - Contract with Melanson: (1/2 of \$5,500)
- **6140 Building Outside Maintenance**
  - \$2,500 estimate for new door and window at the WWTF.

- **6180 Computer Maintenance and Expense \$3,000**
  - Microsoft 360: \$50
  - ½ BSMI Billing System Software: \$300
  - ½ Abit Computer Maintenance \$500
  - ½ CMMS Software: \$750
  - ½ QuickBooks: \$150
  - ½ E.J. Prescott Meter Reading Software - \$1,250

Note: Default Budget \$2,000 – Abit not a contract
- **6210 Continued Training & Ed. \$250**
  - 1/2 GIS/MVP Computerized Maintenance Mgmt System (CMMS) Software training: \$500
- **6230 Contract Operations \$290,000**
  - 72% of The Utility Partners Contract: \$400,000/yr - \$288,00
  - James M. Reera accounting services contract - \$2,000
- **6320 Electric – \$7,600**
  - Projection based on 8 months spending
- **6340 Engineering \$20,000**
  - GIS Updates - \$5,000
  - Nobis Engineering consulting \$10,000
  - Emery & Garret water quality testing contract - \$5,000
- **6430 General Expense \$500**
- **6450 Generator Maint. \$900**
  - Yearly maintenance service and repair of Water Pump Station Generator
- **6495 HeatingOil/Propane \$275**
  - Heat for the Water Pump Station based on past history
- **6520 – Instrumentation & Alarm \$500**
  - Estimate based on past history
- **6580 Legal Expense \$6,000**
  - Estimate for Northern Pass and Right of Ways for Thompson St.
- **6630 Mains, Maintenance, & Repair \$20,000**
  - Estimate for sewer main breaks, repairs, and leak detection
- **6750 New Equipment Expense \$1**
  - Purchases of new equipment for 2018 will be capital expenses



- **6795 Office Equipment Expense** \$3,250
  - Conference table and chairs \$1,500
  - Projection equipment \$1,000
  - Folder/Stuffer \$750
  
- **6810 Office Supplies** – Estimate \$500
  
- **6840 Payroll** – \$30,948
  - 1/2 salary and benefits - union contract
    - Hourly rate \$17.25, over 52 pay periods = \$35,880
    - FICA (6.2%) = \$2,224.56
    - Medicare (1.45%) = \$520.26
    - NHRS (retirement Group I – 11.38%) = \$4083.14
    - Medical (two person insurance (\$1,663.74) - \$25/wk = \$18,664.88
    - Life & Disability = \$523.16
    - Total = \$61,896.
  
- **6860 Postage** \$925
  - Based on actual spending.
  
- **6970 Property & Liability Insurance** - \$1,739,
  - Based on actual spending
  
- **7170 Testing Devices** \$500
  - Estimate for testing/replacement of backflow devices
  
- **7190 Telephone/Internet** \$820
  - Based on actual costs
  
- **7220 Testing – Wells** \$7,000
  - Testing of the town wells differs each year
  
- **7250 Vehicle Maintenance** \$1,500
  - Based on age of vehicles

## Revenues

It is very likely that the commission will raise water rates by 5% in April 2018. That increase has not been figured into the budget because the commission has not voted on it yet. As Budget Committee members may know, the Board of Selectmen lowered the water rate in 2000 from \$5.85 per 100 cu ft to \$2.00. The current rate is \$4.40, which is still well below what the rate was in 2000. The result of the Selectmen's cut was that previous Commissions had to defer maintenance, postpone making needed capital improvements, delay planning, and put away minimal reserves. We are working on an

Asset Management Plan to determine the extent of our capital needs, but we estimate roughly that we will need to make between \$7.5M and \$9M in improvements over the next 10 years. The following is a list of the larger projects that will need to be done and rough estimates of the cost.

- \$2.2M-\$2.5M Septage Receiving Station
- \$450K Thompson St. water and sewer line replacement
- \$250K Winona Road water line replacement
- \$1M-\$1.5 Relining Lagoon #3/Aerator replacement
- \$1M Highland St. Water and Sewer Line Replacement
- \$750K-\$1M Desalinization Plant
- \$1M-1.5M 2nd Water Tank/Well
- \$750K 3 Sewer Pump Station replacements

The commission is committed to increasing rates incrementally to cover Water and Sewer operating expenses. The new Septage Receiving Station is the key to rebuilding our infrastructure and keeping rates as low as possible. It is important to understand that our infrastructure improvements are being driven in large part by NHDES rules and regulations, and that we are working in partnership with them to develop the necessary projects and identify funding sources. It is likely that we will be submitting a warrant article for State Revolving Funding for the Septage Receiving Station, the Asset Management Plan, and planning for several key projects. We are working with DES and RD on a package that will grant half of the needed funds for all of our long-term improvements. We intend to fund our portion with revenues from the new Receiving Station, which were approximately \$425K last year and will likely exceed that this year.

## **Rates**

A discussion of Water and Sewer rates is difficult. Rate Payers typically feel that they are paying too much, while Commissioners who have to fund operations and capital improvements feel the rates are too low. According to NHDES, water rates across the board in New Hampshire are too low, meaning our rates do not cover the cost of operations and improvements to infrastructure. Nationally, the rise in water rates since 2010 has been 41%, but in New Hampshire rates have only risen 24.5%. We have only increased water rates in Ashland by 8% since 2010, not even enough to cover the cost of inflation. According to NHDES, Ashland has the 10<sup>th</sup> lowest water rate in the state: \$249.67 per year for a single family of four. The average state rate is \$473.60 per year. \*

Why is this situation bad for the town? We have already mentioned that a great deal of maintenance has been deferred, which means our systems have deteriorated and may need to be replaced rather than just maintained or repaired. Until recently, few capital improvements have been made.

The second reason has to do with funding. At this point, the department needs to borrow money in order to make necessary improvements to the infrastructure. While revenues from the Septage Receiving Station are important, we will need to spread payments out

over a number of years to be able to afford the improvements we need and pay for them from septage receiving rather than water and sewer rates. Ashland has the lowest Median income in Grafton County (\$40,000 year\*\*), which makes the town eligible for State Revolving Fund (SRF) and Rural Development loans. Both of these funding sources provide loan forgiveness, but the percentage of forgiveness is based on what is called the Affordability Index, a number determined by taking the average water rate for a family of four and dividing it by the median income and multiplying by 100.  $AI = \$249.67/\$40,000*100 = .623$ . Principal forgiveness is awarded as follows:

Affordability Index (AI)	% Principal Forgiveness
.8 to 1.5	10%
>1.5 to 2	15%
>2	20%

Ashland's AI of .623 means that we are not eligible for principal forgiveness Even though we have one of the lowest median incomes in the state. On a \$1M SRF loan, principle forgiveness ranges between \$100K to \$200K; on a \$5M principal forgiveness ranges between \$500K and \$1M. For Ashland to qualify for 10% principal forgiveness, rates would have to increase by about 40% to an average of \$320 per single family of four. That is an increase of \$91 a year or \$7.50 per month, a large percentage rate increase but a very small amount to save \$100,000 per \$1M on infrastructure.

Note: These figures are estimates based on data from 2015 and are included to illustrate the relationship between small rate increases and principal forgiveness. There are also other conditions attached to SRF and RD loans that further reduce actual costs:

- 1% interest only on disbursements during construction
- Repayment at full interest (approximately 3%) begins on year after project completion
- No early repayment penalties
- No closing costs
- NHDES does Environmental Study at no cost
- If the amount of the loan is large, >\$5M, RD will assume the loan and provide a grant for up to ½ the amount of the loan
- Rates can be increased incrementally during the length of the project to help qualify for principal forgiveness.

\*<https://www.des.nh.gov/organization/divisions/water/dwgb/documents/rate-survey.pdf>

\*\*<https://www.des.nh.gov/organization/divisions/water/dwgb/capacity/documents/mhi-table.pdf>