

**WATER POLLUTION CONTROL AUTHORITY
REGULAR MONTHLY MEETING
TUESDAY, APRIL 9, 2013**

MEMBERS PRESENT: Steven N. Wawruck, Jr., Jeffrey Ives, Denise Balboni, Robert Crochetiere, Dennis Gragnolati, and Gary Laurito

MEMBERS ABSENT: Kevin Brace and William Hamel
Dana Steele, Town Engineer, Ex Officio

ALSO PRESENT: Scott C. Lappen, Director of Public Works, Ex Officio
Gary Kuczarski, Superintendent
Heather Kane, Recording Secretary
Paul Dombrowski, Woodard & Curran
Toby Fedder, Woodard & Curran – Financial Services Manager

CALL TO ORDER: Steven N. Wawruck, Jr. called the meeting to order at 5:31 p.m.

MINUTES: March 12, 2013 Regular Monthly Meeting: Gary Laurito made a motion: **TO ACCEPT THE MINUTES OF THE MARCH 12, 2013 REGULAR MONTHLY MEETING** - Seconded by Robert Crochetiere. Without further discussion, the motion to approve the minutes passed 6 – 0.

PUBLIC INPUT: None

Dennis Gragnolati made a motion: **TO MOVE ITEM 6A UP IN THE AGENDA TO RIGHT AFTER PUBLIC INPUT** – Seconded by Gary Laurito. Without further discussion, the motion passed unanimously.

OLD BUSINESS

a. Rate Schedule

- 1. Woodard & Curran – Paul Dombrowski & Toby Fedder:** Paul Dombrowski had learned that the WPCA had expressed an interest in discussing rates and potentially changing the rates. Toby Fedder spent some time with Heather Kane prior to the meeting to learn how the WPCA is currently doing things and how it has done things in the past. Mr. Fedder was in attendance to provide some feedback and answer any questions.
 - a.** Prior to the meeting, Mr. Fedder looked at the base-line financials, record-keeping processes, rate-setting processes and budgeting of the WPCA.
 - b.** When considering rate increases, it is advantageous to construct a financial model of the utility's operations to help people understand the impact of different policies and changes to the current practices. A financial model has several components including:
 - i.** Taking a look at the past four to five years of the utility – the budgeting practices, the rate structures, and the revenue generation characteristics of those rate structures.
 - ii.** Understanding, from the ability to generate revenue as a utility going forward, what the trend metrics are of the utility. This process would include looking at the water company's consumption records to find underlining trends.
 - iii.** Then Mr. Fedder would build out a projection of the utility's financials for a five to ten year period on the expenditure side – what the budget will look like with some degree of predictability – and, secondarily, the revenue side or rate model – how to provide the funding for the budget. It is important to see if the budget is sustainable. Rates should fund operations, maintenance, and replacement to be a sustainable utility.
 - iv.** Mr. Fedder would then project this model against a wall and allow the WPCA to do sensitivity analysis. For example: if the WPCA reduces the minimum charge for a specific customer class, what does that do to the budget and more importantly what does that imply (if we maintain constant practices for all the other customers) because lost revenue from one source requires that revenue be

raised elsewhere in a “zero sum gain” business. In this business we try to size our revenue to the actual cost of providing the service. The model provides a way for the Authority to look at the effect of any changes to the rate structure in real time but also allows them to see the effect over the time period of five to ten years.

- c. One of Gary Kuczarski’s concerns is how to fund increases in capital expenditures. Should the reserve get used or not, and what will that mean for the capitals in the future. In addition, what will that do to the rates now and in the future?
- d. The model can strategically plan out the capital projects for the next five to ten years and how they will be funded. The WPCA’s capital plan is currently done for just the next year; there is no five to ten year plan in place at this time.
- e. Mr. Dombrowski stated that he and Mr. Fedder are here to provide the WPCA assistance with this whether it is just to look at the immediate issue or to have a more comprehensive study on the budget practices and rate structure of the WPCA.
- f. Jeffrey Ives asked if there is anything flawed in the way the WPCA currently raises funds. He explained that there are three parts to how the WPCA raises funds right now. The first part is charging users based on water consumption from the CWC, secondly are the well users being charged an average of all residential users, and thirdly is the minimum charges set by the WPCA. The WPCA does not have a basis for the minimum charge – it was set many years ago and is raised every year by a percentage.
- g. Mr. Fedder stated that after a preliminary look at the rates, the charges for the average residential user (which is the vast majority of the WPCA’s accounts) in the system are low by regional standards. The set minimum charge is also low.
- h. The industry is moving more and more towards fixed charges. The question is: how much of the revenue do we want to be guaranteed and how much do we want to be variable? One can make a good argument to have a significant portion of the WPCA’s overall funds be generated through fixed charges. The majority of the WPCA’s costs are fixed while most of the WPCA’s revenue is variable currently. Many utilities (i.e. the electric bill) have a base charge and then charge for usage on top of that base charge. It is becoming more common quickly because most of utility costs are fixed. Most of the WPCA’s variable costs are a result of weather (i.e. changes in the amount of gallons the WPCA treats in a year is due to the number of weather events) yet there is no increase in sewer user charges because the customer base did not change at all.
- i. How do you determine what that fixed cost ought to be? This is a subject of extended discussion at national seminars as all utilities are dealing with this very issue right now due to conservation and other outside forces.
- j. The model would also help determine what the implication would be if the WPCA decides to stop the practice of eliminating the quarter with the highest usage from the calculation of residential sewer user bills. This practice shaves a significant portion of the overall sales. The water company isn’t giving residents water for free. For example, the WPCA will be able to determine through use of the model what the implication would be if the WPCA billed for 85% of the usage over the year instead of eliminating the quarter with the highest usage. Though, eliminating the quarter with the highest usage makes the annual usage more stable or predictable (i.e. a dry year would produce a huge increase in revenue if the highest usage quarter was not eliminated resulting in a massive budget surplus which would cause people to push for a rate decrease while a wet year would result in a decrease in revenue).
- k. Mr. Fedder is offering the WPCA a tool that will help assess what these changes mean, and to assess if there is a way the WPCA would prefer to raise their revenue that would seem fairer for this community. Woodard & Curran would help inform the community through a number of public meetings and articles in the newspapers about what the WPCA does and how the WPCA determines the rates. If the public wants to have an opinion, this will give them the opportunity to give it.
- l. Mr. Fedder noted, based on what he has seen, that since the WPCA has been under-running its revenue budgets, Mr. Kuczarski has been making it work by under-running his expenditure budgets as well. This can only last for so long. Instead the WPCA should set an appropriate budget and treat it as a real number instead of making it work according to

the revenue. The WPCA does not want to be in a position where equipment is not being properly maintained at the Plant to insure its long-term sustainability. Mr. Dombrowski stated that the Plant is currently well maintained, clean, and safe though that is not to say things are not getting old and need replacement.

- m. Woodard & Curran will give the WPCA a menu of options for the financial model, capital improvement plan, and the public education piece for next month's meeting. Realistically, this will go into next fiscal year. The WPCA only wants to do this once and do it correctly.
- n. The Town does a depreciation schedule for the Plant but when adding in the depreciation of the Plant into the budget model / revenue model you do not want to use their figures because the GASB assumptions are significantly more aggressive than what one can actually expect for an item's lifespan (i.e. they will assume the lifespan of a piece of equipment is 30 years when it could last 60 years). The WPCA would not want to capture the full depreciation over the shorter period because, though it would be a financial windfall, it would be punitive for the rate payers.

The WPCA thanked Mr. Fedder for coming in and talking with them tonight. Mr. Fedder thanked the Authority and left. Mr. Dombrowski stayed for the discussion on next year's capital budget.

FINANCIAL REPORTS:

- a. **March 2013 Cash Reports:** Gary Laurito made a motion: **TO ACCEPT ITEM 4 ON THE AGENDA IN ITS ENTIRETY** - Seconded by Jeffrey Ives. Without further discussion, the motion passed unanimously.
- b. **CD Investments – update and changes:**
- c. **Quarterly Reports:**
- d. **Delinquent Accounts – update:**

There were no questions or discussion on the topics b, c and d under Financial Reports. Please see item a. under Financial Reports for the motion regarding these topics.

CORRESPONDENCE: None

OLD BUSINESS:

- b. **FY 13-14 Draft Budget/Capitals:** Two prospective budgets were sent to the Authority prior to the meeting. The WPCA has one employee retiring on November 25th. One budget has full staffing for the full year and the buyout for sick time. The second budget reflects full staffing until November 25th, sick time buyout, and funding to contract a company to jet the main lines. The reason for having two budgets is that a few years ago Mr. Lappen and Mr. Kuczarski came before the Authority and asked to increase the staff by one person so the WPCA could get their equipment out on the road and do the maintenance that needed to be done out on the line. It has worked but not up to their expectations. Their expectations were that they would do almost all the lines every year. There are trouble lines that are cleaned on a regular basis, whether it is every six weeks or every three weeks. The best time to jet a line is in the warmer weather but that is also the time people take their vacations and there are projects at the Plant. Due to this, the staff has not been able to attack the lines as aggressively as Mr. Kuczarski would like to see. It takes about 5 years to do the whole system but if the WPCA contracts an outside company to do the main lines like Elm St, Spring St., and North where they need to hire a traffic detail, the WPCA could handle the quieter roads on their own. It is just tough to have three people out cleaning the lines under the main roads while processing and performing routine maintenance at the Plant. Fiscal year 2013-2014 is somewhat of an odd year because the retiring employee is here through November and the WPCA is adding just the remaining balance of the salary toward contracting a company to jet the lines. Mr. Kuczarski is willing to try contracting an outside company to clean the lines with an understanding that if it does not work the Facility will go back to full staff. A lot more has been done at the Plant with the full staff. The WPCA would still meet the State's staffing plan for the Plant if they go with contracting an outside company instead of replacing the retiring operator.
- Capitals:** Two mixers went down in one week. The WPCA has spent \$93,000 in mixer repairs. These mixers are basically electric motors that are sealed under water. Mr. Kuczarski has already

bought three mixers because it has not been worth repairing them. The Plant is not getting the life expectancy out of them that they used to get. Mr. Kuczarski has been working with Mr. Dombrowski to come up with another unit where the motor is above the water. It is basically a shaft driven device that is going to do the same thing. It is a little costly but there are unallocated capital funds that can be applied to offset some of the costs. In all fairness, when these went in, Mr. Dombrowski wanted the mixers that Mr. Kuczarski is currently looking at now but because of the fund reimbursement issues the Flyght mixers were the ones installed. The mixers being used now are somewhat dangerous to work on as there are no railings on the platform. The new mixers would have the motor and gear box mounted on the platform with a long shaft going into the tank with a mixer that is bigger in diameter and much slower resulting in much less torque and less wear and tear. The total mixer motor horsepower would be reduced from 24 total horsepower to 6 total horsepower. These new mixers have twice the life expectancy - bearing-wise. The six mixers that are removed will be used as spares for the nitrified recycle pumps which use the same type of device. Mr. Kuczarski is looking long-term because these mixers are not going to go away as they are part of the system.

Proposed budget B rate sheet requires the use of the reserves to keep a 3% rate increase. Mr. Kuczarski projects the use of \$36,000 from reserves though that would decrease should the WPCA generate more revenue. Mr. Kuczarski just learned that the cost of the audit will be increasing from \$3700 to between \$5000 and \$8000. This increase is not reflected in this proposed budget.

The Authority thanked Mr. Dombrowski for staying for the capital discussion. Mr. Dombrowski thanked the Authority, stated that he was happy to help out and left.

NEW BUSINESS:

- a. **Skyline Restaurant – Grease Interceptor:** Mr. Kuczarski discovered that the plumbing at Skyline Restaurant was modified to bypass the grease interceptor. A dye test was performed while the Board of Health was there and the dye circumvented the interceptor and came out in the main line. Skyline is causing a grease build up in that manhole. On March 25th Mr. Kuczarski sent Skyline a letter stating that within 30 days of receipt of the letter the interceptor must be plumbed corrected and retested. Mr. Kuczarski received a call that the person most familiar with the plumbing is in Florida until May 10th and therefore they asked for an extension until that person comes back to take care of the problem. Mr. Kuczarski thinks this person did the modifications. Mr. Lappen stated that the WPCA requires a licensed plumber to do the work yet this gentleman is the owner of the business and should not be doing the plumbing. Dennis Gragnolati made a motion: **TO GIVE SKYLINE RESTAURANT 30 DAYS FROM TOMORROW TO COME INTO COMPLIANCE** – Seconded by Robert Crochetiere. If they do not comply there is a \$99 per day fine. Without further discussion, the motion passed unanimously.
- b. **Appeals:**
 - i. **1 West Street:** The bill was sent out in July, a past due notice in October and another past due notice in March. When Mr. Sapkota received the past due notice in March, he came in stating he paid this bill. He did make a payment in January through his bank's bill pay system to the WPCA but for some reason the bank issued the check to the Town of Windsor Locks and sent it to the tax department's lockbox. The tax department deposited the check even though his account was paid in full. The tax department issued a refund last month. The property owner is looking to receive a refund of the interest charged and paid. Dennis Gragnolati made a motion: **TO REFUND THE INTEREST CHARGED AND PAID** – Seconded by Gary Laurito. Without further discussion, the motion passed unanimously.
 - ii. **26 John Street:** Heather Kane has been dealing with the CWC on this account. The property owner contacted the CWC about the high usage. CWC issued a credit November 2012 for 50% of the difference between the average usage and the high usage (a credit of \$783.91 which corresponds to a credit for 106,800 gallons). Art O'Neil, from the CWC, did replace the meter though the meter seemed to work fine in the test environment. Mr. O'Neil is not sure if the water was used or something else happened. Mr. O'Neil is asking the WPCA to work with Mrs. Albert by reducing her sewer user bill. The CWC did promise Mrs. Albert that they will

reimburse her for the interest charged by the WPCA since it has taken awhile to be resolved. Mr. Ives stated that the CWC basically changed their water meter reading by 106,800 gallons. WPCA eliminated the quarter with the highest usage (55,000 gal) from Mrs. Albert sewer user charge; CWC does not do this. Though the WPCA threw out the May reading of 55,000 gallons, the February reading of 54,000 gallons was used in the calculation of the sewer user charge. After the water meter was replaced, the usage dropped to 16,000 and 17,000 gallons per quarter. A difference of about 38,000 gallons per quarter. Gary Laurito made a motion: **TO ADJUST OUR SEWER USAGE FEE IN A RATIO COMPATABLE WITH THE WATER COMPANY ADJUSTMENT** – Seconded by Dennis Gragnolati. Without further discussion, the motion passed unanimously.

Steven N. Wawruck Jr. stated that the restaurants in the southeast section of Town still need to be notified regarding the grease interceptor requirement. An owner of a restaurant in that area came in to see Mr. Wawruck yesterday with a two page letter claiming that her restaurant is grandfathered because it has been in existence for 65 years and the building codes have been grandfathered in. Mr. Wawruck forgot the letter in his office as he was not in his office today but he will bring it to next month's meeting for consideration. The restaurant is being sold. If it is sold, the installation of a grease interceptor will be a requirement of the new owner.

Mrs. Kane had provided a spreadsheet that showed what the impact on the rate would be if the commercial minimum was decreased to \$237. The Authority will not proceed with reducing the commercial minimum rate at this time since they are interested in working with Woodard & Curran regarding the financial model. The WPCA wants to make any adjustments to how rates are calculated all at one time.

At 6:54 p.m., there being no other business to discuss, Jeffrey Ives made a motion: **TO ADJOURN THE MEETING** - Seconded by Dennis Gragnolati. Without further discussion, the motion passed unanimously.

Respectfully submitted,

Heather Kane
Recording Secretary