



MINUTES
HILLSBOROUGH TOWN BOARD
BUDGET WORK SESSION – WATER FUND
May 31, 2007
7:30 PM, Town Barn

PRESENT: Mayor Pro tem Frances Dancy, Commissioners Evelyn Lloyd, Michael Gering, and L. Eric Hallman.

ABSENT: Mayor Tom Stevens, Commission Brian Lowen, excused.

STAFF: Town Manager Eric Peterson, Town Clerk/Personnel Officer Donna Armbrister, Town Engineer/Utilities Director Kenny Keel, and Finance Director Greg Siler.

7:33:31 PM Mayor Pro tem Frances Dancy called the meeting to order, and opened the Public Hearing on the 2008 Proposed Budget. She determined that no citizens were present who wished to speak.

7:34:20 PM Upon a motion by Commissioner Gering, seconded by Commissioner Hallman, the Board moved to close the public hearing by a vote of 4-0. The motion was declared passed.

7:34:37 PM Town Manager Eric Peterson asked the Board to turn to page 23 which was the Water and Sewer revenue by detailed line item.

7:35:19 PM Commissioner Gering asked how you accounted for voluntary contributions, noting there was a \$5,000 expense item. He wondered how much of that might be offset. Mr. Peterson said it was not really offset, noting that \$5,000 was what they were saying they would contribute and then any contributions were in addition to that.

7:36:12 PM Commissioner Gering asked was it possible to determine how many voluntary contributions were made the last fiscal year. Mr. Siler said that number was not located in this material, but he had provided an accounting of the total contributions to OCIM two weeks ago.

7:37:08 PM Mr. Peterson said he believed it was between \$1,300 and \$1,500 in contributions from customers last year. Mr. Siler said he was not sure of the figure. He noted that voluntary contributions for park land amounted to about \$4,000.

7:37:31 PM Commissioner Gering said he would be interested in having a report on contributions for a later meeting, and well as the disbursements of those contributions. Mr. Siler asked if he also wanted the numbers of families assisted. Commissioner Gering replied that information would be helpful.

7:37:57 PM Mr. Peterson said that was information that could be included each year with performance measures in the Finance Department.

Mr. Peterson said the revenue figures on page 29 showed the comparison between current rates and the proposed rates. He said OWASA rates were increasing an average of 12%.

7:39:53 PM Commissioner Hallman said he knew Mr. Peterson advised the Board to raise the rates before they actually needed to spend the money. He said since they knew they were facing the Water Treatment Plant upgrade and that they had to raise those funds, should rates be raised a little more than necessary to lessen the impact. Mr. Peterson said they would be better able to answer that question when they got a better cost estimate on the sewer plant. He said this time next year they would have more concrete numbers.

7:41:31 PM Mr. Keel pointed out that a better way to put money aside for that plant was through the capital facilities fees which they would be evaluating. He said funds were included in the budget to begin that rate review, which would apply only to new connections since new connections were driving the need for the new plant.

7:41:59 PM Commissioner Gering said he would like to avoid the situation they were in previously when rates had to be raised twice in one year. Mr. Peterson said that was when rates had been raised in July and had to do it again later the same year. He said Mr. Keel's point was a good one.

Mr. Peterson noted that the figures on the Balanced Scorecard started on page 50, with the Utilities information beginning on page 246.

7:44:43 PM Commissioner Gering said last year the Manager had mentioned unaccounted for water, and the metric used now did not seem to be reflective of the reality of that water getting lost. He asked was there something in the performance measurements that would address that. Mr. Keel said during the current year he had tried an AWWA methodology that gave a rating rather than a percent of water lost, and was based on the size of the utility and the amount of total water used to get a rating number. He said the rating number did not relate to a percentage but gave you an indication of whether or not you were in the range for your type and size of utility.

Mr. Keel said Hillsborough was within the average range but near the lower edge even though the percentage was 20%. He said their goal was to continually bring that percentage down.

7:47:23 PM Mr. Peterson asked when was the last time those figures were reported. Mr. Keel responded in November 2006 when he had reported on the audit.

7:48:19 PM Commissioner Gering said he was reacting to what had been said about the problems that caused water loss, such as lineal distance and pressure in the system. He said it would appear that the less water used, the percentage would go up about the same amount. Mr. Keel agreed that was about right.

Commissioner Gering said that was not reflective of the problem in the system. Mr. Keel said a joint of pipe was traditionally 18 to 20 feet, so you had many, many joints in the system. He said the more piping the more joints, and the more joints the more likely water would escape where

those joints came together. Mr. Keel said it was more a reflection of the total length of pipe in the ground than the number of gallons running through it.

7:49:42 PM Commissioner Lloyd asked how much water was lost when a fire hydrant was flushed. Mr. Keel said the average rate if the hydrant was fully opened was about 800 gallons per minute, and if it was flushed for 10 minutes that was 8,000 gallons. He said when flushing was carried out in March about 3 million gallons of water was used.

7:51:30 PM Responding to a comment by Commission Lloyd, Mr. Keel noted that when flushing of fire hydrants was carried out they pulled one person off their regular meter-reading crew to help out as well as one or two people from their regular crew. He said in the past they had received many complaints because it stirred up the water in the system, but they flush at least twice a year now and complaints had dwindled. Mr. Keel said no complaints were received during the March flushing.

Mr. Keel said water loss was not tracked on the Balanced Scorecard, rather it was tracked in their overall performance measures. He said he would add it to the Scorecard, with a target of reducing the percentage to 12% over the next four years. Mr. Keel said he was not 100% sure that was attainable, but it was a good goal to have.

7:53:45 PM Commissioner Hallman asked what his other goals might be. Mr. Keel said the radio-read meters. Commissioner Hallman asked was it cost-effective to accelerate that. Mr. Peterson said it had been funded this year, but he did not know what the timetable was.

7:54:09 PM Mr. Siler said the timetable had changed several times, noting one delay was that they had changed their financing from seven years to five years. He said they had settled on the type of unit they would use and were putting a contract together. Mr. Siler said it would be worthwhile to expedite that in the coming year because the electronic meters were more accurate in measuring water usage.

7:55:11 PM Mr. Peterson said the next step would be to put the project out to bid, complete the financing arrangements, and once the equipment was received have it installed.

7:56:05 PM Mr. Peterson stated that Billing and Collections began on page 253.

7:56:33 PM Commissioner Hallman said at the Board's retreat they had talked about and supported improving customer relations, and asked was anything in the budget to assist with that. Mr. Siler said that was one of their Scorecard items, and their goal was to increase the number of satisfied customers while decreasing the number of complaints. He added that each of his staff would be attending customer service training

7:57:45 PM Mr. Peterson said there was a company that conducted a lot of surveys for local governments, and he had talked with them about the cost for a random survey of the population to ask questions about customer satisfaction in regards to billings and collections, police services, and others. He said there were only three of four things they would want to measure,

and the quote came in at \$5,000 to \$6,000. Mr. Peterson said because they had so few questions they wanted asked in the survey, he would contact the company and try to negotiate that cost down. He said he would bring that back to the Board in July, or contact them via email.

8:00:20 PM Commissioner Lloyd commended Mr. Siler on the reduction in complaints regarding customer service.

8:01:12 PM Mr. Peterson noted that the proposed budget for the Water Plant began on page 261, and Water Distribution began on page 269.

8:02:02 PM Commissioner Gering said he understood the projection was \$30,000 for possible low pressure reimbursement. Mr. Peterson said that was actually \$20,000; \$10,000 the first year and \$5,000 for the next two years.

8:02:53 PM Mr. Peterson stated that Wastewater Collection started on page 281. He asked if the Board understood what was being suggested regarding the Master Lease where you placed several different purchases under one financing umbrella. Mr. Peterson said they would wait until the mid-year update to make sure they were doing okay financially, then ask for approval from the Board to go forward with that.

8:04:02 PM Commissioner Lloyd asked how many pump stations did they have. Mr. Keel responded at the present time there were 27 pump stations, with one coming off-line as soon as the Cates Creek Outfall was put into service, expected in the next few months. He said another one would go off-line at Lakeshore within the next six months, although they were still awaiting approval from the federal government on that one. Mr. Keel said when Phase 2 of the Cates Creek Outfall was completed another pump station would come off-line.

Mr. Keel said the pump station at Abundant Life would be removed, but they would add a station at Corbington Commons. He said that would not result in a net gain or loss, but they would have a much more updated pump station with a permanent generator. Mr. Keel said the station coming off-line due to the Cates Creek Outfall had a permanent generator which would be relocated elsewhere, reducing the overall number needed.

8:06:53 PM Mr. Peterson noted that Wastewater Treatment began on page 293.

8:07:09 PM Mr. Keel stated there was a piece of equipment at the Wastewater Treatment Plant that was having problems and had already undergone several repairs. He said it required another \$10,000 in repairs, but they were considering purchasing a new unit at a cost of \$30,000. Mr. Keel said he would attempt to find a way to pay for that within the current budget with savings through other items.

8:08:02 PM Mr. Peterson remarked that Mr. Keel had not used but a very small amount of his contingency funds. Mr. Siler said they had saved some funds with the roofing project at the Wastewater Treatment Plant, but some of those funds were used for the Sludge Management contract. He said he did not know if any savings were left from that.

8:08:41 PM Mr. Peterson said there was \$82,000 left in that contingency fund, and said only about \$25,000 was noted as the end-of-year estimate on the summary sheet.

8:09:27 PM Mr. Peterson stated that the Reservoir budget began on page 301, and the Inter-Fund Transfer Charges started on page 306.

8:11:35 PM Commissioner Hallman asked what percent of revenues were used on debt service. Mr. Peterson said the percent used to be between 25% and 27%, and it was now down to 20%. He called attention to the graph on water usage on page 8, and noted you could see how flat the usage remained over the last six fiscal years. Mr. Peterson said it was easy to see why you had to keep raising rates when you were not selling more quantity.

8:13:55 PM Commissioner Gering said it appeared that the Water Fund was in good shape. He said they were holding rates increases to the lowest minimum, especially when preparing for the planned expansion.

8:14:51 PM Commissioner Lloyd asked about the sludge removal. Mr. Keel said they had brought in a contractor who had completed the job in two days. He said they expected to have them come in every quarter to dispose of all the sludge, and believed they would be able to do that in just a few days.

Mr. Peterson noted that Mr. Keel's last two hires were exceptional at their jobs, noting they were very experienced and aggressive. He said Mr. Keel's operation was running the best they had ever had.

8:16:45 PM Mr. Peterson said because they were in good shape he assumed there was no need to hold the third workshop next Monday.

8:17:01 PM Upon a motion by Commissioner Gering, seconded by Commission Hallman, the Board moved to adjourn the meeting at 8:17 by a vote of 4-0. The motion was declared passed.



Respectfully submitted,
Donna F. Armbrister, MMC
Town Clerk