

## **BOLTON TOWN BOARD**

Special Informational Meeting

May 18, 2011

Supervisor: Ronald Conover  
Councilman: Robert MacEwan  
Councilman: Owen Maranville (absent)  
Councilmember: Deanne Rehm  
Councilman: Gregory Smith  
Town Clerk: Patricia Steele  
Counsel: Michael Muller (absent)

Call To Order : 7:00pm

Supervisor Conover opened the informational Water/ Sewer rate meeting at 7:00pm. Informational material was available for all public in attendance to review.

Supervisor Conover stated that in 2010 the Water Plant produced 74,000,000 gallons of water and of that amount 49,000,000 gallons were delivered as metered water. The system operates 6 bleeders which are also metered. Bleeders are used to prevent freezing and address other issues as well. The 6 bleeders represent approximately 1,600,000 gallons. Unmetered water use was provided by the Water Superintendent. He noted that it could be higher or lower than that, but it is their best guess. Unmetered water use refers to opening up hydrants to wash a truck, fill the street sweeper, fight a fire, flushing the hydrants. Essentially it is water use that is not metered. Supervisor Conover stated that they have started to measure some of that unmetered water use. This winter the Highway Superintendent began to take measurements periodically as to how much water was used when they washed the trucks. They will begin taking other measurements so that they can develop a better estimate.

Supervisor Conover stated that as for the “other” use of approximately 22,000,000 gallons represents water that comes out of the plant but does not go through their meters. This water is a loss to the system and is estimated as approximately 30% of the total produced. Although it is a high number, there are communities with much higher numbers and some with lower. Supervisor Conover reviewed an informational card that the Water District has handed out for a number of years. It graphically shows how much water can be lost and how fast it can be lost. He stated that in a municipal system every little leak or hole may not come to the surface but it exists. Even the most efficient systems have water loss in the 10-12% range.

Supervisor Conover stated that last year was a very warm summer. Therefore the numbers are higher for the amount of water sold than in previous years. He provided charts with historical review of the Water District numbers with regard to expenses versus revenue generated by the district. There may have been other revenue that was transferred in from the General Fund, or other one time revenue. From 2006-2010 expenses exceeded revenue. In 2010, the 2 bars come together, which is a result of the TB electing to redeem the borrowing on the Water Filtration

plant in self-financing the plant. They reduced the approximately \$167,000 debt service payment to \$70,000. He stated that 2011 would be the addition of the 1<sup>st</sup> year beginning to repay the general accounts of the Town the \$70,000/year. The refinancing really helped the district's operating condition significantly. It lowered the operating budget by \$100,000. Additionally the Water District sold some property it had in the Edgecomb Pond area. The revenue from that was used to retire any of the obligations that the Water District owed the Town as a result of the General Fund support over all of these years. The gap between the expense and revenue is significantly less than what they will see in the Sewer District.

Supervisor Conover stated that the Sewer District is not the same as the Water District. The Water District is larger and there are more people served by the Water than the Sewer. Again the expenses exceed the revenue through the same period. There is no debt service in the Sewer District in terms of the plant but the revenue has not kept pace with expenditures and it is a problem. The Sewer District has been supported by the General Fund with approximately \$650,000 to date.

Supervisor Conover stated that even though they have seen improvement on the Water District side, there is no serious capital reserve built up for the district or its capital infrastructure. The same would apply to the Sewer District. Supervisor Conover stated that it is a very thin operation and there is not a lot of money in the bank to accommodate any major improvement program or attend to a major problem should it arise.

Supervisor Conover stated that the TB has been working with this issue for a number of months now. He specifically commended Councilmember Rehm and Town Clerk Pat Steele's efforts in assisting him throughout this process. Councilmember Rehm has been a sounding board and provided terrific research and insight in terms of the operation of these districts. Pat Steele has been helpful in putting up with all of his requests for information and producing the needed literature. Supervisor Conover stated that the entire TB has been helpful throughout the process.

Supervisor Conover stated that there would be 3 items that the TB is considering with regard to the proposed rate changes. First, they will establish a minimum quarterly usage for the district. He stated that this is very common in most municipalities and even ones that are seasonal usage. Even though the properties are only used seasonally, they still have to support the water plant, pay staff, handle debt service and upgrade the system. The minimum would be set at 5,000 gallons which would represent a single person household. He stated that whether someone uses 1 gallon or 5,000 gallons there would be a minimum charge. He indicated that most year round residents would not be affected by this minimum. Supervisor Conover stated that this minimum would also be applied to the Sewer District as well.

Secondly, Supervisor Conover stated that they have had a flat fee for both the water and sewer districts. However, in their review of the system, they found that not all taxable property has been paying that flat fee. He stated that he does not have an explanation for it or the history behind why they haven't. For example, of the 180 condos on Green Island, the private condos pay the flat fee for the water but some that are under the Sagamore ownership do not. This proposal would establish that all identified taxable properties would pay a flat fee across the board. Supervisor Conover stated that there are a couple of other larger projects that do not pay

this flat fee either. For example, Juniper Hill pays one flat fee on 34 condos and in Sunrise Shores 13 condos pay one flat fee. The idea is to bring a little more balance and equity to the system. Supervisor Conover stated that there are some unique situations as well and the TB will have to look at these on a case by case basis.

Thirdly, Supervisor Conover stated that the TB is considering a tiered system for the water and sewer rates. Their review indicates that not all of the users are paying their proportionate share. The larger commercial users are not where they need to be in terms of the water they use and part of that is due to the flat fee. They will be applying this flat rate evenly to all tax parcels.

Supervisor Conover reviewed the Rate Schedules as follows:

#### Quarterly Water Rate Schedule

- 1- 5,000 gallons- \$25.00 (\$5.00 per 1,000 gallon x 5,000 minimum quarterly charge).
- 5,001-50,000 gallons -\$5.00 per 1,000 gallons
- 50,001-150,000 gallons - \$5.25 per 1,000 gallons
- >150,000 gallons- \$5.50 per 1,000 gallons
- Flat Fee of \$100 per year or \$25.00 per quarter will be charged to all tax parcels within the water district having property tax I.D.# and served by the Water District

#### Quarterly Sewer Rate Schedule

- 1- 5,000 gallons- \$20 (\$4.00 per 1,000 gallons x 5,000 gallon minimum quarterly charge)
- 5,001-50,000 gallons \$4.00 per 1,000 gallons
- 50,001-150,000 gallons- \$5.00 per 1,000 gallons
- >150,000 gallons- \$6.00 per 1,000 gallons
- Flat fee of \$75.00 per year or \$18.75 per quarter will be charged to all tax parcels within the sewer district having property tax I.D. # and served by the Sewer District.

Supervisor Conover stated that the commercial properties and restaurants will probably fall into the higher tier which would help pay their proportionate share. He stated that the Sagamore uses 16.5 million gallons of water per year. He indicated that the Sagamore's laundry pumps water out of the lake but sends that water to the sewage treatment plant. Last year their laundry facility sent 1,370,000 gallons to the sewage treatment plant on top of the 16.5 million gallons registered at the meter.

Supervisor Conover stated that the TB feels that all of these considerations will get these larger users paying their proportionate share. He reviewed the estimates of what these changes might result in. He reminded them to bear in mind that these are just estimates, because people are economizing everywhere they can which will result in less use.

Supervisor Conover stated that the bottom line is that the Town is not collecting sufficient revenue to cover expenses for either district. The TB has administratively taken a lot of steps to reduce the operating cost such as refinancing the water plant, shifting man hours out of sewer into general town to reduce the number of hours to operate the plant and they have reduced overtime to essential overtime only. They are also in the process of upgrading their sewer lines and infiltration.

Supervisor Conover stated that they recently had a visit from the NYS Controllars office that is aware of the general financing of the special districts out of the general fund. They have indicated that this practice is not acceptable. Supervisor Conover stated that he can understand because that \$650,000 that the sewer district owes the general fund is money that can be used for roads, purchase of equipment, etc. They have been able to reduce the operating condition of the water district by \$100,000 which was done by using some of the Community Development Funds. Additionally, for the first time the Town allocated money within the budget to begin to pay for its unmetered water use. This could be a significant amount and should be paid to the Water district to insure that the Town is paying their proportionate share.

Supervisor Conover stated that these are very small districts, with 450 metered customers in the sewer district and approximately 700 in the water district.

Councilmember Rehm stated that both districts over a 5 year period experienced an increase in expenditures and a decrease in revenue due to people economizing. Essentially they are selling less water and using less water and generating less waste water and their system is dependent upon that volume to pay the bill. She stated that over the past 5 years they have had some huge events with heavy rain storms and one might think that is just a onetime event and they would recover from that. However, after a few years, it is apparent that it is not going to happen.

Councilmember Rehm explained that they have to pay back the money owed to the general fund because this money is not supposed to be co-mingled. She stated that the water district had the enviable position to have assets to sell and at this point the water district is solvent. As for the sewer the only way to make up for the shortfall is to put that onto the users. She stated that they plan to do this slowly and very pragmatically. They have talked to other municipalities and have found that these rates are very fair. Councilmember Rehm stated that NYS Controller's office issues the average cost for water and sewer each year. The average cost for water in NYS is \$685/year and for sewer it is \$870/year. She stated that there is no average payer in the water or sewer districts now nor will there be even with the changes in rates they are proposing.

Supervisor Conover stated that Councilman Smith is the liaison to the Sewer District and Councilman MacEwan is the liaison to the Water District. They have all been struggling with these operating conditions as well. Part of the problem is that some of these assets are aged and will have an increasing need for replacement and upgrades. Supervisor Conover stated that he is very proud of their staff that mans both operations. Soon all three at the water plant will be certified licensed operators of the water plant. Additionally, 2 full-time and 1 part-time staff are licensed sewer plant operators. They are committed to running good operations and it has been a privilege working with them.

Tony Hall asked if the rate is raised as proposed, how long will it take the sewer district to pay the \$650,000 back to the Town. Supervisor Conover replied that he believes that it would be at least 2 years of future adjustments before they were in any position to start chipping away at that. In the short term they would like to get their head above the water. He stated that they will need to look at this each year and not wait another 12 years before making another rate adjustment.

Tony Hall asked if they would be able to build a capital fund or would that require another series of increased rates. Supervisor Conover stated that he envisions that happening sooner for the water district. However with the sewer district he feels that it will take some time because the gap is so great. In the meantime, they will need to continue looking for grants, much like the one for the slip lining, to assist in the repair or renovation of the infrastructure.

Tony Hall asked if they could provide a percentage as to what the Sagamore or a restaurant open 7 days a week would represent in this increase. Supervisor Conover stated that currently the Sagamore use is approximated at 49% of their metered flow to the sewage plant. If they could get to \$250,000 operating expense than their proportionate share of that would be 49%. For water their share would be approximately 33-34% range. Additionally they will be collecting on the minimum and flat fees that were not previously collected for all of the condos. He stated that this all adds up especially for a small district. With regard to restaurants they may only see an increase of a couple hundred dollars per quarter. Supervisor Conover stated that it may take a few steps to figure out everyone's proportionate share. They do not want to be too aggressive; they are just seeking some balance within the system.

Supervisor Conover stated that they have not raised the water or sewer rates in 12 years. These rates have not changed and the expenses have gone up. He stated that use and technology has changed dramatically. Machines, toilets and fixtures are using so much less water and people are economizing on their part. Councilmember Rehm stated that 12 years ago the revenue stream was enough to pay the bills. Supervisor Conover stated that the Town has understandably been reluctant to increase the rates. However, they are now in a position where they need to make some changes.

Supervisor Conover stated that in the future they would like to have the radio reading system which would save on expenses. It would decrease man hours of reading the meters and they could be read more often. Supervisor Conover stated that he has talked to Village of Lake George Mayor Blais to discuss any potential for joint cooperation to save expenses but has not heard back from him as of yet. They have also reached out to other communities to see what they are doing with their districts.

Councilmember Rehm stated that she believe that 12 years ago they were above the norm for their rates and now they are average or on the lower side. She stated that they talked to many municipalities in their review. For example, they found that Queensbury not only charges by the 1,000 gallons but they also levy a benefit tax for those within the sewer district. She feels that they are not unreasonable in their rates.

Phil Farbaniec stated that he would have expected that the sewer rates to be higher than the water rates because it is more costly to process. Supervisor Conover stated that the difference is that the Water district had a debt service that the Sewer plant did not have. He stated that .47 cents was coming right off the revenue to pay the debt service. This has since been reduced, but there is still a debt service on this district. Supervisor Conover stated that the needs for the Sewer district, especially since it is smaller, in a certain respect, may become greater than the water district. However, that remains to be seen.

Phil Farbaniec asked what their debt service is currently. Supervisor Conover stated that when they redeemed the bonds it was approximately \$1,150,000 and the schedule right now is \$70,000/year.

Phil Farbaniec asked how they are handling partials that are not connected or seasonal homes and how will they be billed. Supervisor Conover stated that they have 44 vacant land parcels. He stated that they do have different rates for vacant land, rental units, etc within the districts. They have identified some problems out there such as people pumping out of the lake and people putting in private wells within the water district. He stated that they have done some things legislatively that have corrected some these issues and protected the district. Supervisor Conover stated that there are other issues out there that they still need to deal with but it will take time.

Councilmember Rehm stated that there are many properties that have grown over time with additional structures or homes, which has created a complication with the lines because they are all on one property. She stated that Supervisor Conover has spent many hours trying to figure out how each of these changes considered would affect the bottom line for all properties. She stated that so far this seems to be the best solution. However, it will need to be reviewed and changed if necessary.

Supervisor Conover stated that some of these newer projects like Blue Bird and the Anchorage were developed properly and are metered. However, they still have some older developments where the processes and procedures were not as sophisticated as they are now. He stated that they want to be fair in this process because there are going to be a lot of these types of questions and they will not be easily answered. For example, they may have someone that is on a well within the district but at the time it was permitted and there is documentation showing that. While others do not have the proper authorization and that is what they will be looking for. They will need to find out what is the correct application.

David McComb asked how the usage compares with capacity for the districts. Supervisor Conover replied that they have ample amounts, and most of the time, a surplus on the water. On the sewer side, there is some capacity but not a huge amount. Chet Dagles is getting him the exact numbers. Chet has indicated that the slip lining has already shown to be a benefit. They have eliminated a dozen or so intercepts from abandoned lines. Supervisor Conover stated that the conditions of these lines were not good and in some cases there were holes and cracks in which they could see water spilling into the sewer line. The slip lining will help with these holes and cracks which will reduce their intake. However, it will not eliminate the additional usage by people pumping into the system. David McComb asked if there have been times when the usage of the sewer system has surpassed its capacity. Supervisor Conover replied that it has not happened on his watch. He stated that they are hoping to continue with the slip lining project because they can upgrade their entire system for another 50 years without having to tear up the streets.

David McComb stated that he is concerned that if there has been or if there ever is a change to capacity in the future that it could overflow and run right into the lake. He stated that his waterfront has a very large carpet of algae blooms which surpasses what was there last year and it is only May. He wanted to know if this could be attributed to the Town sewer system.

Councilmember Rehm stated that back in the mid to late 90's they did experience some issues and these basins were full on a regular basis. Today, all of the improvements that occurred in the early 2000's, she does not believe that there is a day that goes by when they are all full. She stated that they may be strained at times with the amount of ground water they are taking in but she is not aware of any overflow. Councilman Smith added that they regulate what beds to use on a daily basis. The water is tested daily and all of the water goes through the filtration plant before it goes out to the beds. Supervisor Conover stated that the North Bolton pump station was fully upgraded and the force main from that station was relocated and improved so even in difficult situations they have been able to find ways to keep things moving.

David McComb stated that discussion regarding the budget does not include the need to further upgrade the sewer plant. Supervisor Conover stated that there have been ideas to continue to upgrade the plant.

With regard to the comment that water consumption has gone down due to improved technology, Zandy Gabriels stated that he feels that it has gone down because there was a fee on the water usage.

Zandy Gabriels stated that there is a significant drop between the numbers 2009 and 2010. He stated that although the Sagamore was closed for a few months he does not see that it would equate to 6-9 million gallons. Supervisor Conover stated that they do not have a master meter of what goes in and out. He stated that he just used the numbers that the Superintendent gave him.

Zandy Gabriels stated that it is disconcerting that there is 21,000,000 gallons unaccounted for. He stated that this is a lot of pumping and chemicals that are unnecessarily being used and it is an unnecessary cost. Supervisor Conover stated that just like Mr. Gabriels he would hope that they wouldn't have any loss, but in general there is water loss in these systems. Just a break of a lateral before a meter or break of a main can cause the loss and unfortunately they don't always find them until it comes to the surface.

Zandy Gabriels stated that he is still looking for the missing water because that represents 30% of our variable cost. He stated that everyone knew that it would come to a matter of increase in water rates, it was just a question of when. He understands that they need to pay the expenses and bills, but they still have a larger issue of missing water.

Supervisor Conover stated that the bleeder on the north end has been decreased 1.5 million to 763,000 gallons. The bleeder on the south end, historically, in 2005-2006 they had 3 million gallons, the next year it was 2 million gallons, last year it was 1.1 million gallons and this past year it was reduced down to 557,000 gallons. Councilmember Rehm stated that they have these bleeders to pull the chlorine through each end so they have the proper treatment.

Zandy Gabriels stated that he feels that missing water has been about the same percentage at any particular time over the last 10 years. He stated that they have been able to cut down, but they are still dealing with unmetered water. Supervisor Conover stated that although that is important point, it has nothing to do with the debt service at the plant, nor does it have anything to do with personnel or benefit cost at the plant. When they start deducting those big ticket items off the

water operating budget they come down to \$60,000-80,000. Although 10 or 20% efficiency is important, it is not a third of \$360,000, it is some percentage of that third against the variable cost of the operation of the plant. He stated that just like every community in the country they are chasing their leaking water to create those efficiencies.

With regard to their debt load, Zandy Gabriels, stated that he understands that this was the first year that they could cash in their bonds with the EFC. He stated that they elected at the time to pay off the debt sooner than later so that they were not dragging it over a long period of time. Zandy Gabriels suggested that since they are self-financing they should consider lowering the amount that they are paying themselves by half. Supervisor Conover explained that when they refinanced with the EFC, they were refinancing the bond issue which included their water filtration plant. However one of the requirements they had, should they have elected to do that and wanted to redeem the bonds a year or two later, they would not be able to do that without paying those bonds under the re-issue for the term of the new bonds. That is one reason why they chose to self finance. Additionally it allowed them to be in a better financial situation.

Councilman MacEwan stated that he feels like this is off the point. Zandy Gabriels stated that he is just raising the issue that they could reduce the expenses instead of raising their rates. Councilman MacEwan stated that he could have done this same thing under his command. Zandy Gabriels stated that he has been looking at this for a long time. Councilman MacEwan agreed but feels that he is getting off the point.

Zandy Gabriels stated that he agrees with the flat fee but he does not agree with the tiered system. He feels that they should be applying one rate to all users because a gallon is a gallon. Supervisor Conover stated that this being applied just like in property taxes. Your house is assessed for a certain value and you pay your proportionate share. Zandy Gabriels stated that he feels that they should be charging the same rate per thousand for the water. Supervisor Conover stated that the person paying the \$5/gallon and \$100 flat fee and is using 20,000 gallons, effectively is paying \$10/gallon. His idea of skewing is not correct. They are being charged flat fees on tax properties that are currently not being assessed. Zandy Gabriels stated that he agrees with the flat fee, but he feels that the water that runs through the meter should be the same number for everyone. Supervisor Conover stated that even a residence using 70,000 gallons is pushing almost \$7.00/gallon. This fee as it applies to the bigger user becomes fractions of pennies on the gallon. That is why only charging \$5.00/gallon does not get them to that \$7.00/gallon or paying their proportionate share. He stated that they looked at other hotel and motels around them to get a comparison about what they would be paying to be sure that they would not be paying an unfair proportion.

Councilman MacEwan stated that if seasonal residences and businesses were to be charged the same it would not pay for the infrastructure. Zandy Gabriels stated the fixed rate should cover it. Councilman MacEwan stated that it would not be enough to cover it and that is why they are in the hole they are in. Councilmember Rehm stated that at the time she did feel the same way as Zandy Gabriels. However, when she looked around she found that they were odd man out without some tiered rate structures and she now sees the merit in having a tiered system. Supervisor Conover stated that if they look at the metered sewage and you have a user sending half the flows to the plant you would think that they would pay half the operating budget. If they



are not, then they are not paying their proportionate share and that is the point of all of this. They are trying to level the playing field.

Councilman Smith stated that this is a good start. Even though people only use their properties seasonally, they still need to have the water to their faucet for them.

Supervisor Conover stated that in 2009 the total cost of a third person at the sewer plant was brought on to the sewer budget. The sewer district could not withstand that kind of expense. The TB moved that and eliminated any overtime. They have tried to be sensitive on the expense side as well.

Zandy Gabriels stated that Councilmember Rehm is basing a lot of her averages with State numbers. However, he is skeptical of using State numbers because they get lumped into the same municipalities as Troy and Albany, which they are no where near in size. Supervisor Conover suggested that he contact Dan Belden, Supervisor of Hague, and ask what his sewer rates are; they are higher than the State average. Councilmember Rehm stated that when she reviewed the numbers and compared them to some local residences and businesses, she feels that they are pretty comparable to the State average and it made sense to use.

Supervisor Conover feels that under this system, the smaller user will not be greatly affected and the larger users will be adding their proportionate share. He appreciates Zandy Gabriels time and input. He invited him to further discuss these issues in more detail at another time.

The meeting was adjourned at 8:49pm.

Minutes respectfully submitted by:  
Patricia Steele  
Town Clerk

Minutes respectfully submitted by:  
Kristen MacEwan  
Minute Taker