

PUBLIC NOTICE
Water/Sewer Board Meeting
March 2, 2009
6:00 p.m.
Southwest Harbor Fire Station Meeting Room

AGENDA

The meeting was called to order at 6pm. Present: Trudy Bickford, Ralph Dunbar, Kristin Hutchins, and Town Manager, Robin M. Bennett. Excused: Berten Willey and Dorr Wilson.

Visitors: Mark Good, Margaret McVey, Bob Bosserman, Gene Thurston, Gordon Wissinger, Derek Wilber, Ingrid Kachmar, Susan Newman, Jarvis Newman, David Kessner, Woody Leighton, John Jacobson, Joseph Snider, Bob Shields, Pat Sweeney, Eric Henry, Kate Henry, Dick Dimond, Kathe Falt, George Swanson, Joe Saunders, Jack Martel, Anne Welles.

I. Water/Sewer Infrastructure Funding:

The Chair asked the Town Manager to give an overview of how things are done today. Currently all operations and debt service are paid for by the user. The Town votes to guarantee the bonds, and would be required to pay the bonds back. Users pay the debt service on those debts. Dunbar noted that is part of the Sewer ordinance, but didn't find it in the water ordinance. If the Town wanted to do something different, permission would have to be given by the PUC, as it is expected that the users pay for the debt. Kashmar asked if other communities operated differently and if they do, why SWH can't do that. Do other communities pay for infrastructure expenses. Bennett said it is extremely rare that the Town pays for debt service, and she is only aware of one community that does that and it is Jackman. Dimond: is there any proscription by the PUC that would prevent the Town from having infrastructure expenses paid for by taxpayers. He believes there is none. The same question would pertain to Maine Statute – whether the Town would have the right after an affirmative vote. Barring either, the Town should logically have the right to do that. Dunbar reiterated that the Town Manager indicated that the PUC would have to approve this type of change. Dimond disagreed, and doesn't think the PUC would be involved in what is a local matter or take a position. Hutchins said no there isn't any proscription and the PUC doesn't have an opinion. Bosserman asked if the PUC has had any discussion concerning infrastructure, during the recent PUC meetings. Bennett said there has been no direct discussion, but the PUC is very aware. Wissinger asked why they would care about debt service. Bennett said they would want to have an accounting of why the entity (water department) was not paying their expenses and why there was not an accounting of those expenses.

Hutchins said there are some neighborhoods that are not served by water, and it seems unfair that they would have to bear the burden, and those people should somehow be exempt from it, or reimbursed somehow. Wissinger referenced paying for school without having children in attendance and asked why that isn't the same. He said water and sewer in a tourist Town are as basic as the school system. Kashmar said the infrastructure repair cost divided over 900 accounts is huge. If 25% of the current users put in wells, the debt per account gets even larger. It has bigger ramifications for the Town other than just those who use water.

Dunbar said the average water user now pays \$70.42 per quarter residential; a family of four averages \$90.18; average sewer is \$101.55, and a family of 4 averages \$126.51. The figures are low, and if you analyze the cost of a leach field and well, it takes many years to pay for that. Roughly it costs the average family \$1,000/year for water; the cost of replacing a leach field is between \$10,000 - \$20,000, lasting in the area of 25 years. Septic probably costs \$1500/year. He asked Town Manager about debt service for water and sewer. She said if the water/sewer debt service were move to the Town, it would cost \$155/year for a house valued at \$500,000 or be a 31cent raise in the mil rate. Dimond said these figures do not include the rate increase that was put in for at the PUC. He said the magnitude of infrastructure expenses that need attention talks about potential expenses of between \$10 and \$20 million depending on how it is prioritized. It appears there is an initial priority figure of about \$6.8 million. How is this Town going to be the vibrant community it is over the next 30 years when these issues need to be confronted, and it is clear that the users alone are not going to be able to confront that magnitude of infrastructure expense. All of the infrastructure expenses become something that the Town as a whole has to deal with, and should that include water and sewer infrastructure we need to begin to think about how we will tackle \$10-20 million. Hutchins – the very rough numbers also include roads, and haven't defined water and sewer infrastructure separately. When does the public interest trump the private interest and is this one of the times the community has to draw together? Dunbar those not on the water system who have a leach field or septic system who fail don't have the Town to bail them out. He admits it is a tough question.

Bosserman said there is a lot of research on the web that deal with communities who have had these problems and have solutions. George Swanson: he has a very new and expensive leach field and a well he is not using – does he have the option to use the well and get off Town water? Dunbar and others said it is wholly Mr. Swanson's choice. Eric Henry: streets, sidewalks and school and buildings are part of the infrastructure and water and sewer are as important to the infrastructure. Everybody benefits from the Town and without that this Town would not be what it is. It is his opinion that everyone should contribute to the infrastructure for the benefit and the good of the Town and users should pay for the water they use. He believes the Town is the Landlord and pays for the capital expenditure, and the users pay for everything else. The users were not the only ones who voted for the water plant. Bob Shields asked if the cost of digging up a frozen pipe is divided amongst the roads and water departments. Bennett and Hutchins said the road would have been dug up because of a water or sewer pipe problem, and therefore would be responsible for the repair. Thurston asked about the sewer plant – Bickford

said there was about \$1,000,000 spent on the sewer plant a few years ago. Bennett and Hutchins said the plant has the ability to service the community even in the event of expansion. Hutchins said the Town would probably spend money to continue to further segregate storm water run off from the plant. Dimond referenced the RFP for infrastructure improvements recently advertised saying when that is done will it include looking again at the sewer plant? No. Hutchins said the Town is looking at the delivery systems and the roads at the same time. Henry said sewer systems have a finite life and if this is 30 years old, it has used about half its life. He questions how much extra it would add to have the sewer system evaluated as to life span. Bickford said the Town has to look at the infrastructure. The population is not growing. Hutchins said the Town just finished going through the budget process, and decided to proceed incrementally by doing the engineering study. Today we have some immediate problems.

Kashmar asked what the estimated numbers would be if the users are paying for the infrastructure costs as well. Bennett said it is not possible to estimate that rate at this point in the process. Kashmar said the relevant rate is that which the users will be paying in the future if they have to fund the infrastructure cost as well. Dimond said if you're willing to make a couple of assumptions, it is easy to estimate a figure. Gene Thurston: referring again to the sewer plant said, if there is a feasibility study of what is under the ground you have to know what's at the end. He thinks the Town needs those numbers and should not proceed half-way with the feasibility study. Hutchins said the Board did not feel they should spend a huge amount of money on a full blown feasibility study and have that be obsolete by the time all the work was scheduled. The work has to be done incrementally, and it made more sense to have a study of what could realistically be done now. Dimond said the Board should ask about the cost difference by asking the Engineer to take a look at the sewer plant as well and confirm the life of that plant. Bennett said design work can be built into the funding, but not the cost of the feasibility study. Wissinger again pointed out that adequate water and sewer delivery are critical to the Town and should be borne by the taxpayers. Bosserman raised a question about 'penny wise and pound foolish', given the state of the economy, low interest rates, a willingness to fund, stating 'shouldn't the Town be trying to get to a shovel ready plan as quickly as possible?' Dunbar said the process has started, the feasibility study is the first thing and changing the way water and sewer is funded needs to go to the voters. This is the reason for these meetings. Dimond: water quality issue – Olver Associates has said in the 2007-2008 report that there will be a substantial reduction in the THM concentration with the aeration process, but it is not expected to drop below 92 or 93 and there has been an estimate of \$100-250,000. If the report is right, the issue of quality is still before the Town. Wissinger asked if there was any difference in availability of funding if it comes from the water board or the Town. Bennett said it is not likely that the Town would qualify for zero interest funding again and it would not matter whether it was water board or Town making application. Dunbar said the larger taxpayers who do not have Town water will take a bigger hit and not just a user fee. Impact on tax rate is an easy number to figure, but rates themselves are more difficult as there are more factors that enter into it. The public discussion closed at 7:14 p.m.

Dunbar told the Board members that something needs to go to the voters. He suggested three options: Does funding stay the way it is? Should the infrastructure expenses be spread to all taxpayers? Do the users pick up the replacement cost of the lines and have the Town pick up the road repairs? Hutchins said that considering the public comments there should be something put to the voters. Something specific and detailed should be crafted rather than offering multiple options. Bickford said she would prefer an option rather than multiple choices saying the Board should determine the best long term choice and present that. Referencing the \$6.8 million estimated costs of immediate repairs, Bennett said a little under half would be water/sewer figures without engineering costs. Hutchins suggested infrastructure repairs be paid for by the general population. Bennett said you should be talking about the theory with the Town responsible for infrastructure and users for operations. Hutchins said the Board should put forward something as specific as possible. Bickford said in order for the Town to work and function properly, water and sewer infrastructure is part of the Town expense the same as the school. The operation end of the utility is a user fee. Hutchins asked, if there was a referendum concerning future infrastructure debt, what would the language be? She suggested: "shall the voters agree to fund the infrastructure for future projects through taxation." "In the case of a binding referendum it would require a change to the ordinance. "Does the voter want to accept the responsibility of future capital improvements?" It was Moved Hutchins and Seconded Bickford that the Southwest Harbor Board of Selectmen place a referendum before the voters of the Town of Southwest Harbor on Tuesday May 4, to ask the voters whether the taxpayers should assume the financial responsibility for future infrastructure debt and costs and that all operation costs continue to be paid by users. Vote in favor: 3 – 0 Hutchins said it will be important to get this information out to the voters in detail.

III. Adjournment: It was Moved Bickford and Seconded Hutchins to adjourn the meeting at 7:35 p.m. Vote: 3 – 0 motion passed.