

WINNIPESAUKEE RIVER BASIN PROGRAM

ADVISORY BOARD MEETING MINUTES

January 23, 2020 – Belmont Corner Meeting House

Members Present: The meeting was called to order by Wes Anderson (Laconia), assistant chair, at 10:00 am. Sharon McMillin (NHDES), Rene Pelletier (NHDES), Johanna Ames (Tilton), Jeanne Beaudin (Belmont), Glen Brown (Northfield), Scott Dunn (Gilford), Ray Korber (Bay District), Brian Sullivan (Franklin), Meghan Theriault (Gilford), and Phil Warren (Meredith) were present at that time.

Minutes: Scott moved, seconded by Jeanne, to approve the December 19, 2019, meeting minutes. The motions passed.

Monthly Summary Report: Sharon provided the following updates. They were based on the *Monthly Summary Report* for December 2019.

- Flow Metering Services Study – There were no updates.
- Asset Management/Collection System Evaluations Initiative – There were no updates.
- WRBP Infrastructure Ownership/Responsibilities – There were no updates.
- Governance Work Plan – There were no updates.
- Rate Assessment Formula – W-P presented Phase 1 information at last month's meeting. Members chose not to engage W-P in data further collection for the hybrid model analysis, and to use WRBP and member resources instead. The four southern member communities are working with WRBP staff to compile the requested information to complete the proposed hybrid rate assessment.
- Replacement Fund (Reserve Account) Legislation – There are no updates.
- Commercial Discharge Permit (CDP) – Current priorities have been dental offices, food service establishments, and facilities with regulated waste disposal. Changes in use or expansion may trigger permitting or permit modifications. Any facilities suspected of using or discharging PFC-containing materials have been prioritized for permitting and inspections.

Sharon announced that she planned to prepare an amendment to extend EST's flow metering contract. The amendment would enable EST to perform continue to perform strategic flow metering and may be augmented, as necessary, to support the hybrid model.

Wes asked how CDP permitting and inspections were going. Sharon explained that this process was ongoing. Nick Fontaine (WRBP permitting) is asking the member communities to give a head's up to business owners in their communities that a change in use may trigger permitting or permit modifications. Nick was recently awarded an annual DES award for compliance and inspection (customer service).

Wes asked if all of the invoices for Pendleton Beach have been received. Sharon affirmed that the original emergency response invoices have been received and where paid in FY19. That portion of the work was assessed to Laconia and Gilford this fiscal year in the replacement fund billing. The invoices

for the construction, lining, and site restoration will be billed in the next fiscal year. Scott asked Sharon if she would distribute a spreadsheet with the details. Sharon affirmed that she would.

Rate Assessment Workgroup Update: Wes announced that after the hybrid model was completed, a next step could be determined so far as the formula was concerned. Wes asked Sharon when WRBP staff expected to complete the work. Sharon explained that she expected the initial work to be completed in time for the AB's March meeting. At present, the WRBP staff was collecting data and would be performing spot checks, if necessary, when weather permits.

Scott asked Sharon how the WRBP staff was accounting for I/I in this process. Sharon explained that there were several accepted methodologies. For instance, if I/I studies have recently been conducted in a community then data from these studies could be included in the hybrid model. Hybrid modeling for Northfield was easy because sewer users are 100 percent on water. Therefore, a good gage of sewer use is: water in and water out. Additionally, Northfield has installed all new sewer pipe over the last few years and there were industry standards under federal and DES guidelines for I/I from new pipes. Although Northfield has not conducted an I/I study, the pipe is less than 5 years old and constructed of PVC; therefore, industry standards indicate a typical allowable I/I for each inch-mile that can be used in the model.

Belmont conducted an I/I study a couple of years ago. Franklin just completed one. The model is only chasing 8 percent to 10 percent of the total system's flow. Essentially, if a member community has old, leaky pipes, its I/I apportionment would be higher. The WRBP staff plan to perform some spot checks to confirm model assumptions. Data can always be added to improve the hybrid model.

Authority Workgroup Update: Wes announced that the AB gave the workgroup permission to transition to the next step which meant working with consulting firms to obtain estimates. He asked if any of the other AB members wished to participate in this process. Phil affirmed that Meredith wished to be involved. Wes planned to set up meetings in February and to bring in consulting firms then to meet everybody.

Sharon announced that she had received a response from the AG's Office regarding the initial draft District legislation and distributed a copy of the email that she had received. She was given permission to distribute it, so long as it was not construed as legal advice. Brian asked what the next step would be. Wes anticipated putting a cost estimate together for the AB's February or March meeting. If the AB voted to proceed at the February or March meeting, the workgroup would transition to the next roadmap step to perform due diligence.

Replacement Fund Legislation Update: Wes handed out a three-page spreadsheet entitled *Pendleton Beach Road Force Main as an Example*. It was a model on which to show alternative replacement fund allocation amounts as outlined in an email he distributed prior to the meeting. One model was to share all reimbursement costs based on the assessment percentages for each community. An alternative was a 50 percent shared assessment model with the remainder of reimbursement costs allocated using the current model using proportional use of impacted infrastructure that was implemented in FY20. The current statute language was interpreted by the NH AG's office to reflect this proportional use assessment and reimbursement model.

Wes asked if there was anything else that the AB members wished to discuss changing in the legislation aside from the model. He also asked what type of model they would like to see moving forward. He asked Sharon to help the AB members see how the assessment amounts were calculated.

Sharon explained that the percentages were back calculated and provided only as a reference point. The assessment amounts are based on each member's use of each type of infrastructure – each pump station, WWTP, maintenance shop, and pipelines. For example, some member communities have a higher proportional use for a particular pump station than others. Treatment plant and maintenance shop proportional use are based on capacity allocation. Collection system percentages were new and were based on current O&M percentages that include pipelines. Each pump station percentage was apportioned based on historic flow data which has largely been validated by the recent flow metering. Each member community has its own individual proportional allocation for each piece of the infrastructure. For the WWTP facility (not the land) the replacement cost insurance valuation was approximately \$31M and for each pump station, between approximately \$900K and \$1M each. For the collection system, approximately \$64M was determined to be an appropriate replacement cost valuation. The final total also includes depreciable assets valued at \$10K or greater (included as O&M percentages) such as rolling stock. The total replacement cost of depreciable assets is approximately \$114M.

Currently, the Replacement Fund is assessed as 5 percent of that value (\$5.7M). The Replacement Fund balance (as of June 30, 2019) was a little under \$2M. Therefore, the total amount due over 10 years was that difference (\$3.78M). Per the current legislation, it is to be collected over 10 years. That was how the \$377,975,000 value reset for FY2020. The next valuation reset will be in FY2025. The overall percentages were different now because the collection system pipelines have been added to the assessment valuation. When and if there is a reset for the O&M percentages which includes flow, miles of pipe, and strength the replacement fund allocation percentages will change.

Brian asked if it might be better to work on the rate assessment formula prior to changing the Replacement Fund methodology. Ray explained that, in his opinion, it was best to work on both concurrently which was possible due to W-P's assistance. One option was to hire a consulting firm to conduct a rate analysis using W-P's data, determine a methodology, and to present a rate structure model for the AB's review. Sharon suggested that CDM has done this already and that their report contained a couple of different methodologies and models after conducting analyses. Ray concurred, although he was not sure whether the CDM report proposed an actual rate structure model.

Phil supported the manner in which apportionments were made to take in revenue; however, he was concerned about the manner in which expenditures were reimbursed to the fund. In his opinion, once the money was collected from the individual member communities, it was then the collective's money and should not be banked for individual member communities. In short, he felt as though it was the collective's responsibility to maintain and repair the assets, using the Replacement Fund when necessary. Scott concurred. Both wished to move forward with this idea in mind.

Sharon, Wes, and Ray noted that some member communities have paid more into the Replacement Fund over the years. Phil reiterated that the collective owned the assets; not the individual member communities. Brian asked why Meredith would want to pay to replace a pumping station in Franklin. Phil reiterated that the collective owned that pump station; not Franklin. He noted that for 50 years, expenditures had been handled using the "we are all in this together" principle, and that this principle

had suddenly changed after the AG's Office had weighed in. He reiterated that he wished for it to revert to the way it had been.

Wes explained that the intention of his handout (page 1) was to illustrate how the Replacement Fund was handled now, because doing so would help facilitate future discussions regarding issues such as the one Phil raised. It also illustrated (pages 2 and 3) how different shared models may work. Wes acknowledged that the AB members could choose how the Replacement Fund legislation would be drafted; however, that both pieces (collection and expenditures) might require changes. Sharon acknowledged that if there was a catastrophic failure of some kind, there would always be the opportunity to bond. However, using the Replacement Fund was a quicker way to access money, especially for emergency response actions.

Wes suggested that the heavy lift would be in determining the numbers used for the distributions. If they were the current member percentage allocations for the current Replacement Fund, then he could put something together for the AB members to share with their respective member communities ahead of the next legislation session. Phil asked if this was the model that the other AB members really wanted to use. Ray agreed that this was an excellent question, suggesting that a consulting firm may be able to help determine a rate structure model that all of the AB members could agree met industries standards and was also fair; otherwise, this discussion may continue for another ten years.

Wes offered to put a decision flow chart together for review based on today's discussion. Sharon noted that depending on the consulting firm, a contract (or contract amendment) may be required. Ray suggested that the member communities might consider paying for the consulting firm independently, as it would take less time than the RFP process or amending a contract. He noted that some consulting firms (i.e. CDM) have municipal financial analysts on staff, although some specialize in this area.

Other Business: Sharon announced that Ray Gordon will be joining the WRBP staff on January 31st as an Administrator III This is the former (open) Superintendent position, which has been reclassified to become more administrative than operational. Ray has 27 years of experience at DES and has a wide range of experience with lab work, administration, permitting, residuals & solids handling, and PFAS technology.

The meeting was adjourned at 11:10 am. The next meeting will be held at the Meeting House in Belmont on Thursday, February 20, 2019 at 10:00 am. The minutes were prepared by Pro-Temp Staffing.