

SOUTH ALBURGH FIRE DISTRICT NO. 2  
PRUDENTIAL COMMITTEE MEETING

March 17, 2014

Present: Committee Member Judy Higgins, Committee Member John Fitzgerald, Treasurer Dick Ernst, John Kiernan and Robert Clark of Phelps Engineering, Member of the Public Dick Higgins.

John F called the meeting to order at 6:59 PM.

Interlocal Agreement/Setting First Year Rates: Phelps Engineering led a dialogue on several issues to discuss with the Village Trustees in a soon to be scheduled meeting.

- The current interlocal agreement lists Village water system operating and maintenance (O&M) line items with varying assigned SAFD2 contribution percentages. It also requires SAFD2 to cover an allocated cost of Village water system improvements for infrastructure that indirectly serves SAFD2 plus a percentage of their debt service. This negotiated approach is complex.
- In earlier negotiations SAFD2 and the Village discussed the expectation that SAFD2 pay only those costs incurred due to the addition of SAFD2. Current example: Painting the water tank, a task the State cited the Village for several years ago. The Village would have incurred this cost anyway. Should SAFD2 be required to contribute? It will cost SAFD2 customers \$25 p/yr to participate, but their payment will only save Village customers \$3 p/yr.
- SAFD2 will begin operations this summer. It is time to negotiate a final agreement for payments to the Village. SAFD2 is hoping to utilize the Village's existing full-time and part-time Operators to support SAFD2 (Phelps estimates 1 hr/day), including water quality sampling, and to leverage their existing Administrative structure, including the billing system. SAFD2 is willing to make decisions which simplify the arrangement, such as keeping special charges the same as the Village. Also, the Village is developing a budget which will include new categories. These issues must be discussed and negotiated before a payment agreement can be finalized.
- Phelps presented an approach to the Committee that would have SAFD2 pay a fixed percentage towards the Village's total O&M budget, but would not require payment towards their debt service, except for additions caused by SAFD2, such as expanding water plant capacity. This approach would be simpler for all to understand and implement, and felt fair to the Prudential Committee. The Committee decided to present this concept to the Village for consideration.
- Examples of other questions which will require discussion as part of setting a rate for the first year of SAFD2 operations:
  - Can we leverage emptying the water tank to flush our lines prior to beginning operations? Can we get some forgiveness on the cost of water needed to flush the lines?
  - Can we offer forgiveness to people who have leaky pipes and don't realize it until several months later when their water usage, and bill, is high? Some sort of grace period. This is a common occurrence when new systems go online, but SAFD2 can only offer forgiveness if the Village offers forgiveness.
  - System flushing will be needed a couple of times a year. Can we get 2 flushings p/yr at a discounted rate?
  - Can we get a copy of the most recent ledger of Village water system expenses?
- Proposed Agenda items for annual budget discussion with the Village:
  - Operations and Maintenance Costs

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- Debt Service Participation
- Other items, such as system flushing
- John Fitzgerald will work with John Kiernan and Robert Clark to discuss process with the Village Trustees Chair and to then set a time to meet with the Trustees.

Permit to Operate: SAFD2 will need a State permit to operate. The initial permit may be temporary.

Reaching the Golf Course: It has been determined that the original plan to reach the golf course, a direct bore, is not possible due to ledge. Blasting would be required and where the pipe would be laid would need to change, requiring further archaeology. The cost that warrants picking up an ERU is about \$20,000. The cost to reach the golf course would rise from roughly \$40,000 to \$100,000, making it cost prohibitive for 2 ERUs. The Committee cannot support asking other customers to subsidize the cost of reaching the golf course, so the Committee determined that the golf course would need to cover the debt service cost of 5 ERUs (between commercial and personal properties) to justify the increase. John Kiernan will develop a proposal around 5 ERUs, which is still only ½ of what could be justified by the golf course's State permit, and discuss it with Mr. Bazin who will need to decide whether to proceed. If the project is unable to reach the golf course during Phase 1 it could happen during a later phase. This decision will not impact the project's ability to service the Timeline lots.

State Water Service Permit: The State requires that the system design for each property to connect to the water main must be developed by a licensed designer and must meet State rules. Individual homeowners are exempt from the permit fee, but are not exempt from the rules. The Committee expressed concern that Phelps is just now presenting this requirement; this rule has been on the books and Phelps should have been aware previously. The Committee also expressed its expectation that homeowners not incur additional cost due to this rule. Phelps is having discussions with the State about funding approaches, but the Committee stated its unwillingness to incur additional associated debt service. It was agreed that Phelps will develop a proposal that will not involve additional cost to homeowners and that will fit within the existing budget.

Phelps Invoice: John F. requested further detail about the activities being billed. John K. explained the difference between lump sum (%age of project complete) and hourly billing (specific time on an activity), and agreed to provide further detail regarding the activities performed for future invoices. Judy moved to pay the Phelps invoice for \$5,410.30. Dick seconded. Paid with ck #1012 dated 3/17/2014. Dick will submit the pay request/reimbursement paperwork to the State.

Minutes were not available for review.

Treasurer's Report – In NCFCU there is \$2,713.40 in the Operating Acct, \$9.85 in the Project Acct and \$73,566.02 in the Savings Acct. In People's United there is \$229.99 in the Operating Acct; \$957,459.53 in the Project Acct and the outstanding loan in the amount of \$959,373.96.

Dick moved to adjourn. John seconded. Motion passed. Meeting adjourned at 10:28.

4/21/2014 – Accepted as written