

**VILLAGE OF SKANEATELES
MUNICIPAL BOARD
MINUTES OF REGULAR MEETING – March 29, 2017**

Present: Chairman McQuaid, Commissioners Blackler, Elliott and Palmer, DMO Harty, Trustee Stokes-Cawley.

Absent: Commissioner Rhoads

Chairman McQuaid called the meeting to order at 6:00 pm. She requested that if any member is not able to attend the meeting, she requests that they copy all members on email notification so potential rescheduling of the meeting may be made easier. Chairman McQuaid requested that members of the Board be copied on the synopsis.

ADMINISTRATION

Minutes. Though both Comm. Blackler and Chairman McQuaid agreed that the minutes could be adopted as presented, since Comms. Elliott and Palmer would have to abstain, there were not enough votes present to adopt such a motion.

Project Prioritization and Budget Recommendation. Project prioritization is tied to the budget recommendation discussion. DMO Harty explained that the dire circumstances of the sewer fund are not present this year, when funds had been borrowed from the General Fund because of obligations that were funded using one-time revenues. She amplified on the background for the benefit of Comm. Elliott. DMO explained that part of the charter of the Board is to help the Trustees provide fiscal stability.

In discussion of the Sewer Fund and budget:

- As a result of the projected problems in the Sewer Fund last year, the Trustees adopted a rate increase of roughly 45%. As a result of that increase, a dry summer, and the billings to the Town, the Sewer Fund was not only able to cover its contractual obligations and begin repayments to the General Fund -- but should end up with revenues \$40K+ over projection. DMO estimated the fund balance at FYE would be \$165,000, up from \$49K at the beginning of the year. Expenses are lower due to Zlatko's retirement, which could allow the fund to see a \$116,000 surplus for the year, with revenues \$40K over projection.
- The minimum recommended fund balance is \$100,000, with more being desirable for covering catastrophic problems. The SSO I&I debt service for the lagoon and pump station will retire in 2020, leaving \$130K per year available for new project financing.
- Including the Board's four priority projects in the FYE 18 budget would require a \$45.6K contribution from the fund balance, since the DMO considers the current year surplus a one-time event. Those projects are: (1) an engineering report on the WWTP condition

and needs [\$30K], (2) upgrade and replace portions of the chemical treatment delivery system [\$25K], (3) provision of pump station back-up power [\$15.4K], and (4) I&I improvements [\$10K]. Inclusion of the four projects would lead to the fund balance dropping below the \$100K recommended minimum due to an unbalanced budget. Comm. Palmer noted that with interest rates for bonding at a low level, that it is relatively easy to finance projects while maintaining reserves.

- The Board considered alternatives of postponing the projects, violating the fund balance, or instituting the annual 3% annual rate increase recommended by the Board last year.
- In its discussions, the Board felt that it should strive to develop a fund balance of \$500K over time, so that a catastrophic event could be financed. Further, the Board believes that the chemical treatment system work is the first priority. It also thinks that the condition report is advisable, since it would provide visibility into weak-spots and future capital needs. DMO stated that the engineering report would be critically important in gaining insight into the costs of heating and ventilating the WWTP, which currently uses electricity. The other two projects can be postponed since adequate work-arounds exist.
- Comm. Palmer said that the contract operator from his firm had identified the major threats to the WWTP as management of the shaft weight loading on the RBCs (which the Village's operator is now monitoring) and the chlorination system (identified as first priority previously).
- Comms. Palmer and Blackler spoke in favor of recommending the 3% rate increase that was part of the Board's recommendation last year. DMO said that represents about \$17,000 in annual revenue. Ch. McQuaid cautioned that the Board should have a statement regarding the need for and usage of those monies for communication. She urged the Board to have a future spending plan developed. Comm. Elliott felt that the additional increase may provide the Board with an ability to react quickly to aspects of the engineering report that require attention, calling it "anticipated plant upgrades." DMO thinks that modification to the headworks is a likely recommendation, but would be a major capital project.
- DMO Harty suggested that a two-part rate structure be investigated – a flat rate per connection to cover the fixed and capital costs of the system and a variable component to cover usage-driven costs, such as operations and maintenance. Such a structure could better accommodate a long-term capital plan

Comm. Palmer, "I move that the Municipal Board recommends that the Trustees adopt the DMO's budgeted projections including the engineering evaluation and the chemical feed system, allocating \$27,000 of the fund balance toward these short-term priority projects, with a target fund balance at fiscal-year-end of \$100,000. The Board further recommends that the Trustees implement an additional 3% rate increase in order to help offset projects and build reserves for future plant upgrades. The Board further plans to undertake a long-term rate structure analysis." Comm. Elliott seconded the motion. Upon the unanimous vote of the members present in favor of the motion, it was carried on a vote of 4 – 0.

In discussion of the Water Fund and budget:

- Revenues are over the budgeted expectation. DMO anticipates a break-even or a possible \$11K surplus for this fiscal year, noting that GHD is currently underspending the amount authorized for the water main replacement project and savings have been realized from Zlatko's retirement. Part of this condition was driven by an increase in billings to the Town because of a large-scale leak. This is a favorable outcome because the budget anticipated a reduction in fund balance for the year.
- The Fund is in the midst of a major capital improvement project – replacement of number of water mains.
- Going into FYE 18, the fund should have \$600K on hand.
- The planned capital improvements, while bonded, will have an annualized cost of approximately \$150K.
- Including the Board's four priority projects would require expenditure of \$227K of the Fund balance during FYE18. Those projects are (1) the water main replacement project [\$150K annual], (2) service van replacement [\$20K], (3) hydrant replacements in areas not involved in the capital project [\$10K], and (4) building repairs - doors, partial roof and masonry at treatment plant and doors at tank site - needed to protect assets [\$43K]. Debt service is budgeted at \$250,000.
- Water rates should be increased as well, even though the Board recommends that the service van and hydrant expenditures be deferred.
- Comm. Palmer asked if a metal roof should be considered for the treatment plant. DMO Harty suggested that a building assessment might be desirable.

Ch. McQuaid, “I move that the Municipal Board recommends that the Trustees adopt the DMO’s budgeted projections including the water main project and the needed building repairs, allocating \$197,000 of the fund balance toward these priority projects. The Trustees may consider a bond anticipation note or other short term financing. The Board further recommends that the Trustees implement a rate increase after completion of a detailed rate analysis, based on the Board’s to-be-completed long-term rate structure analysis.” Comm. Palmer seconded the motion. Upon the unanimous vote of the members present in favor of the motion, it was carried on a vote of 4 – 0.

While preparation of an Electric Fund budget is not required at this time, the Board agreed to do the financial planning for this area for discussion at its May meeting.

UTILITY HIGHLIGHTS

DMO presented an abbreviated discussion of utility highlights for the purpose of updating the Board.

- The demand billing multiplier problem has been resolved. There was a total of \$145,000 in back billings, of which \$88,000 has been received so far. Many customers preferred to pay in a lump sum.
- The Village and Town are moving toward the new Sensus cloud based water meter reading system, though the service contract for the old system has been paid through end of March 2018.
- The first billing of the Zero Emissions Credits has been received and was included in the PPA adjustment for electric customers.

Meeting Dates. The Board acknowledged that its next regular meeting will take place on April 27, 2017 at 6:00 pm. Meetings will be held in the DMO conference room.

On a motion by Ch. McQuaid, seconded by Comm. Blackler, the Board unanimously agreed to adjourn the meeting at 7:16 pm.

Respectfully submitted,

Dennis Dundon, Clerk to the Boards