

TOWN OF ELMORE – P.O. BOX 123 – LAKE ELMORE, VT 05657

"Whenever you drink the water, pause and think of those who dug the well" - Confucius

MINUTES: United Methodist Church Abatement Request

STATUS: APPROVED V2.0 17OCT14

MEETING DATE: 15 October 14 -- 1800hrs -- Town Office
Start 1803hrs End 1844hrs

ATTENDEES: R. M. Burley (ESB), Phyllis Houle(Water Commissioner), Phillip Houle, Colleen McKenna (UMC), Martha Twombly (UMC), Terrence McKenna(UMC), Michel LaCasse (Observer), Warren Miller(Water Commissioner), Jon Osborne(Water Commissioner)

1. **SYSTEM BACKGROUND:** Burley **MAX: 10 MIN**
 - a. **HISTORY:** Previous water system, operated by private cooperative:
 - i. Intermittent failing infrastructure since mid-1990's
 - ii. Operating under waivers – failing to meet ANR & EPA rules
 - iii. Previous water rates were approximately 1/3 of rates charged by similar small systems throughout Vermont and New England
 - iv. System serves public, non-transient users; thus required an upgrade in all: infrastructure, testing, operating norms and financial controls.
 - v. Users were periodically advised of changes via letters.
 - b. **CURRENT STATUS:** Fully compliant system constructed in 2013 became fully operational, passing all ANR & EPA standards for purity, operating structure and quality in 2014. **Operation from Jan 2014 to Oct 2014 was sustained from loan/grant proceeds, not users.**
 - i. System is one of smallest in New England and provides the only possible service to: One room school, Town Offices, Town Store, Church and approximately 11 private residences. Without the system, the town center and residences face abandonment.
 - ii. Economies of size & scale are major determinant of water rates.
 - iii. System is operated and controlled by local officials in compliance with ANR & EPA rules. Strict operating performance is required.
 - iv. Annual user rates are set by Water Commissioners and Select Board to comply with rules **requiring self-sustaining operation.**
 - v. UMC has submitted partial payment 1 of 2. All other user payments are current. System Q1 is on plan, less UMC arrears.
 - vi. FY15 budget is tight: surplus of \$837 on \$29,000 revenues.
2. **CHURCH BACKGROUND AND POSITION:** Terry McKenna **MAX: 10 MIN**
 - a. No evidence or data supporting the abatement request was presented
 - b. Church stated the main issue is affordability, citing low full time attendance, infrequent ancillary functions and low utilization rates.
 - c. Osborne, Miller and Houle, as adjoining property owners, suggested that the stated attendance and utilization rates did not match their observations of church activity. No further discussion.
 - d. Church posed questions, from all 3 representatives, centered on rate setting discipline, uniformity and "fairness." Responses below.

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3. MODERATED DISCUSSION:

MAX: 15MIN

- a. Responses to UMC questions and clarification of data, sources and regulations as follows:
- b. Burley explained that approximately 75% of operating expenses are fixed: Debt Service and Licensed Operator. Variable expenses are approximately 25% thus limiting opportunities for significant future rate flexibility. Operating plan has very thin margins.
- c. Burley/Osborne provided data showing rates are set locally by Commissioners and Select Board to achieve self-sustaining operation in accordance with ANR/DEC Water Supply Rules.
- d. Burley/Osborne explained concept of "Equivalent Residential Units" which are used to set rates in unmetered systems.
- e. Burley/Osborne cited ANR website as source for all supporting documentation in response to Terrence McKenna question.
- f. Osborne provided history of water system from 1990's demonstrating degraded performance, non-compliant operations, preliminary studies and very thorough exploration of all feasible alternatives.
- g. Church representatives second guessed their decision to connect to the previous water co-operative citing the recurring annual water fees as an ongoing expense vs. the single instance cost of a well.
- h. Osborne cited the co-op history that after looking at the pros and cons of drilling a well vs. joining the co-op system, the church chose connection and included both church and parsonage. The co-op paid for the engineering and design, the church supplied materials and labor.
- i. Burley citing both direct consultation with ANR and review of a number of other system rules and regulations, confirmed that churches connected to public drinking water systems are not exempt from standard water rates.
- j. Similarly, ANR direct consultation and review of other system rules and regulations confirmed that generally accepted operating guidelines for VT Public Water Systems do not permit disconnection. Fees and rates continue.
- k. Coleen McKenna observed that the Marriott fees appear to be under assessed. The Commissioners and Select Board will evaluate this possible inconsistency.
- l. Burley/Osborne/Miller/Houle confirmed that the town contributes approximately \$500/ERU for the greater good of all citizens and visitors in support of a vibrant village center, similar to contributions to the Lake Association and other town centered activities.
- m. Burley explained funding process: \$275K Federal grant plus a 30 year <-3%> interest bond of approximately \$500K plus approximately \$50K "forgiveness" for school connection and low income of residents.
- n. Miller observed that any rate reduction for one user requires a rate increase for all other users. He further cited the obvious low income of many connected residents.

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- o. Burley confirmed and added that the very favorable financing terms secured for the project were a direct result of the US Census and IRS data demonstrating the low income rates of region of Elmore connected to the system.**

4. NEXT STEPS:

MAX: 10MIN

- a. The Water Commissioners and Select Board unanimously approved a good faith offer to the United Methodist Church of a rate reduction of 25% for FY2015 and extended the first payment grace date, waiving the normal fees and penalties for late payment , until 1Dec14.
 - i. This reduces projected system operating surplus to slightly under \$500 for FY15, resulting an even tighter operating plan.****
- b. Terrence McKenna, Colleen McKenna, Martha Twombly will present this option to the church and reply.**