

BRUNSWICK SEWER DISTRICT
Board of Trustees Annual Budget Meeting
28 October 2015

Approved Minutes

Call to Order

The annual budget meeting of the Board of Trustees of the Brunswick Sewer District was called to order by General Manager Blanchette at 7:01 pm on Wednesday, 28 October 2015, in the Board Room at District offices at 10 Pine Tree Road, Brunswick, Maine. A prepared agenda was noted and the meeting was recorded.

Members present: Chair Priest, Trustees Harvey, Green, and Rice.

Others present: General Manager (GM) Blanchette, Assistant General Manager (AGM) Pontau, Finance Manager (FM) Caron, Camera Operator Mike Jouver, and Mrs. Bonnie Shippen (minutes)

Meeting Advertisement

The meeting was advertised in the Friday, 23 October 2015, edition of the *Times Record*. The meeting was also sent to Brunswick TV3 as a rolling advertisement and aired on WCME radio.

2016 Operations Budget

GM Blanchette distributed to the Board the Draft 2016 Operations Budget and Budget Narrative. This document included an executive summary of the 2016 Budget projections for user rates, operating and non-operating revenue, entrance charges, expenses, capital, and bond payments. This also included a 2015 year-end budget summary for operating and non-operating revenue, entrance charge reserves, capital and depreciation reserve and 2015 operating expenses.

GM Blanchette presented a balanced budget designed to cover all projected 2016 expenditures and revenue. The proposed budget is zero-based and does not carry over any funds from 2015.

GM Blanchette reviewed 2015 budgeted and estimated year end revenues and expenses, and proposed revenues and expenses for 2016. He noted that the increase in residential reflects a proposed rate increase in 2016. FM Caron noted that interest income is estimated to be higher as funds have been transferred to higher yielding accounts, entrance charges are higher due to potential construction in town and miscellaneous assets, including vehicles and equipment, are expected to be sold.

The Board members and staff discussed the Treatment Plant Upgrade including budgeted items, SRF Loan and rate increase. GM Blanchette noted that there were several items for the T/P Upgrade that were budgeted to be pre-paid in 2015, and found that it was not required. He also noted that the SRF application was sent out using the \$22M estimated approved amount. GM Blanchette explained that we will not be given the full amount at closing. This is a draw-down loan. Vendor payments will be drawn against the loan as we submit each monthly requisition for payment, therefore we may not draw-down the full amount. He noted prior to asking for adoption of the 2016 Budget he will request the Board to take the first of two votes required on the proposed 2016 rate

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increase. He noted that the rate increases are designed to provide the additional revenue required to cover the annual debt payments.

GM Blanchette reviewed with the Board members the expenditures budgeted, estimated year end 2015 and proposed for 2016.

The Collection and Pumping Division 2015 budget was \$727,000. Year-end is estimated at \$770,000. The 2016 Division budget is proposed at \$760,000, a 1.3% decrease over year-end 2015 and a \$33,000, 4.5 % increase over the 2015 Budget. GM Blanchette noted that the new facilities building is in the works and the Church Road pump station is budgeted for full replacement in 2016. He noted that they did not do any pipe replacements in 2015 but has proposed two pipeline replacements on Chamberlain Avenue and Coffin Street for 2016. GM Blanchette distributed a breakdown schedule of pipe replacement for 2016 – 2020. He noted they do not foresee any more pump station replacements. The Board members and Staff discussed funding pipe replacements if there was an emergency. GM Blanchette noted that although they do not have an emergency action plan they do have reserves that can be used in case of emergency.

GM Blanchette noted the Treatment Division 2015 budget was \$870,000. Year-end is estimated at \$882,000. The 2016 Division is proposed at \$905,000, a 4% increase from the 2015 budget and a 2.6% increase over the 2015 year-end projection. He noted that this division continues to reduce major operating expenses such as electrical usage, heating and chemical costs. GM Blanchette also noted that when former Treatment Operations Supervisor Gregory H. Thulen retired, the staffing for the plant was reduced to five members and management was promoted from within. He noted they do not plan to bring the staffing level back up to six members. The Board and staff discussed the budget items including the reduction in lime and sodium hypochlorite and expenses to the T/P that will be budgeted and not included in the SRF loan.

GM Blanchette noted the Administrative division 2015 budget was \$914,000. Year-end is estimated at \$909,000. The 2016 Division budget is proposed at \$945,000, a 3.4% increase from 2015 budget and a 4% increase over year-end 2015. He noted that several budget items are included in the Administrative Division budget that affect all the divisions but cannot easily be apportioned. This includes insurance costs, meter reading costs, payroll services, postage, trustee fees and consulting fees. GM Blanchette noted that the health insurance cost increased by 7% for 2015. He noted that this will be reviewed in 2016 to determine if we should move from a Point-of-Service plan to another option.

GM Blanchette noted the budget includes an economic wage adjustment and merit based on the CPI data for the October 2014 to September 2015 timeframe. GM Blanchette noted combining merit award and economic adjustment gives an average wage adjustment of 2.94%. He noted that these adjustments have been included in the wages budget.

GM Blanchette noted Capital items include Phase I of the Treatment Plant Upgrade, complete reconstruction and upgrade of the Church Road pump station, replacement of 580 linear feet of pipe on Chamberlain Avenue and 320 linear feet of pipe on Coffin Street, replacement of a 1-ton pick-up and a 1-ton dump truck, a wiper/rags cutter at Maine Street pump station and a stand-by generator at Gurnet Road pump station.

GM Blanchette discussed the 2016 bond payments for the 2005 SRF Loan, and the new MMBB bond for the Administrative Office Building. He noted that the \$22M SRF loan schedule calls for a 2016 interest and fee payment, which he has requested MMBB postpone until the first

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loan principal and interest payment in October 2018. This will be decided on at the MMBB's November 10th Board meeting.

GM Blanchette distributed various graphs designating proposed Revenue, expense and capital allocation for 2016. He also noted graphs outlining electrical and hypochlorite usages and cost for prior years. He also distributed the CPI for years 2005 – 2015 from the Bureau of Labor Statistics and the rate calculation worksheet based on actual 2014 revenue showing accumulative proposed revenue from 2015 – 2019. The final document distributed was the CWSRF Debt Service principal and interest payments beginning 4/1/2016 to 10/1/2037.

Board Discussion

GM Blanchette noted the purpose of this meeting was to look at the proposed budget and answer any questions and make any changes desired by the Board. This is only a proposed budget and items may change.

GM Blanchette opened the floor up to the Board members for any further questions they may have regarding the proposed budget. There were no further questions from the Board for discussion.

Schedule of Upcoming Meetings, Events, etc.

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|---------------------|----------|------------------|------------------------------|
| Trustees Regular | Tuesday | 17 November 2015 | 8:00 am |
| Strategic Plan Mtg. | Tuesday | 17 November 2015 | 9:30 am (after regular mtg.) |
| Trustees Regular | Thursday | 17 December 2015 | 8:30 am |

Remarks from the Chair

Chair Priest thanked the Trustees present, GM Blanchette, AGM Pontau, FM Caron, Mr. Jouver and Ms. Shippen for their time.

Adjournment

There being no further business before the Board of Trustees,

IT WAS MOVED BY TRUSTEE RICE, SECONDED BY TRUSTEE GREEN, AND UNANIMOUSLY VOTED BY THE TRUSTEES PRESENT (4-0) TO ADJOURN THE MEETING AT 8:34 PM.

Attest: _____

Douglas A. Rice, Asst. Treasurer