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ORLEANS TOWN CLERK

MEETING OF THE ORLEANS BOARD OF WATER/SEWER COMMISSIONERS
March 16, 2022

The Board of Water and Sewer Commissioners held a Zoom meeting on Wednesday, March 16, 2021 to conduct regular business:

Those present were Alan McClennen, Robert Rich, Herbert Kinney, Richard Hartmann and John Meyer of the Board; Len Short, Associate Member of the Board, Todd Bunzick and Susan Brown of the Water Department, Tom Daley, Director of Public Works and Natural Resources, Ian Catlow, Tess Laffer and Tim Harrison from AECOM, Dave Fox of Raftelis, Lynn Bruneau, liaison from the Finance Committee and Kevin Galligan, Select Board liaison. Absent was Mark Berson, Associate Member of the Board.

Alan McClennen called the Board of Water and Sewer Commissioners meeting to order at 1:00 p.m.

MINUTES

On a motion by Leonard Short seconded by John Meyer, the Board voted to approve the sewer minutes of the meeting of January 19, 2022 with edits to be made by Alan McClennen to correct the use of the terms Stabilization Fund and Enterprise Fund where they were used incorrectly. The vote by the Board was 5-0-0.

On a motion by Leonard Short seconded by John Meyer, the Board voted to approve the minutes of the meeting of February 16, 2022 as written. The vote by the Board was 4-0-1 with Herbert Kinney abstaining as he was not present for the meeting.

WATER DEPARTMENT REPORT.

WTP PUMP REPLACEMENT PROJECT

The Board was informed that the WTP pump replacement project has been completed. The Water Department has 2 spare pumps and 2 sets of column pipe. Todd suggested that spare motors also be purchased at some point in the future.

CANAL WATER MAIN PROJECT

As part of the sewer project, the 6" on Canal Rd from Jones Rd to Wendy's will be replaced. The 8" on Canal Rd from Jones to Locust Rd will also be replaced due to movement of the water main.

MOTORCYCLES IN THE WATERSHED

As a result of a complaint, Todd Bunzick contacted the Environmental Police and asked that they patrol the watershed for motorcycles. This has been very successful in the past.

TOP 100 CONSUMERS 2021

The Board was provided with a list of the top 100 users for calendar year 2021. Alan McClennen noted that only 4 users were on both 2020 and 2021 top 100 users' lists. This could be important because water use for three years prior to 2024 will be used for betterment determination for sewer project.

WATER RATES – RECOMMENDED 5% (4.98%)

As a results of a projected revenue loss of 24% and the need to spend money on water main and water service replacement for the sewer project, The Water Department is projecting the need for a 5% water rate increase for FY2024. This will be brought back to the Board after Town Meeting for discussion.

NEW BUSINESS

COMMITMENTS/ABATEMENTS/REFUNDS

A motion was made by Richard Hartmann seconded by John Meyer to commit for the month of February 2022 to rate $0.00, to installations $0.00, to services $480.00, to usage $0.00 and to added billing $771.82. The vote by the Board was 5-0-0.

WASTEWATER

See attached by AECOM for the minutes related to wastewater.

ANNOUNCEMENTS

Flushing to begin April 20th and end approximately on May 10, 2022. Daily schedule will be posted on the Town's website.

ADJOURNMENT

On a motion by Leonard Short seconded by Robert Rich the Board voted to adjourn the meeting at 2:39 pm. The vote by the Board was 5-0-0.

LIST OF DOCUMENTS USED

1. Draft Minutes January 19, 2022
2. Draft Minutes February 16, 2022
3. 2021 Top 100 Users List
4. Commitments February 2022
5. Pages 43 and 66 of the Sewer Use Rules and Regulations
6. AECOM Estimates for Water Main Replacements for Meetinghouse Pond Area Sewer Project dated 3/9/2022
7. Water Department Financial Projection Worksheet as updated March 2022
8. Wastewater Rate Projections and Potential Sewer Rates

The next regular meeting is scheduled for April 20, 2022 at 1:00 pm.

Secretary, Board of Water/Sewer Commissioners

Meeting Minutes
Board of Water and Sewer Commissioners Meeting March 16, 2022

Board of Water/Sewer Commissioners
Meeting Minutes

Part V. Sewer Department Report

Meeting Date
March 16, 2022

Meeting Location
Nauset Room, 19 School Road, Orleans, MA 02653
Webinar: https://us02web.zoom.us/j/82864206038

Project No.: 60587515

Attendees
BWSC Members: Alan McClennen, Robert Rich, Leonard Short, Herbert Kinney, Mark Berson, Dick Hartmann, John Meyer
Town of Orleans: Todd Bunzick, Susan Brown, Lynn Bruneau, Tom Daley, Kevin Galligan
AECOM: Tim Harrison, Amy Hunter, Nicholas Broderick
Dave Fox

Time Meeting Convened *(by Alan McClennen)*

1:00 PM

Time Meeting Adjourned *(by Alan McClennen)*

2:39 PM

Summary of Discussions *(Prepared by Nicholas Broderick)*

1. **Background**
   a. The purpose of Part VI of the Board of Water/Sewer Commissioners (BWSC) meeting was to provide an update on the Town of Orleans sewer work including contract 2019-01 Wastewater Treatment Facility and Effluent Disposal and contract 2019-02 Downtown Area Collection System and Pumping Stations.
   b. This was posted as an open meeting beforehand, and the public may attend if desired.
2. **Discussion**
   - Status of Betterments – Recommendation to Select Board
     - Alan McLennen: I had sent you all the Select Board package for tonight and wanted you to have the history of how things have progressed at the Select Board. We have spent the last 3 weeks talking about betterments, and you have a chart that outlines the scenarios. I sent you scenario 6 and a summary of scenarios. Then there was a perspective from Bob Rand and Herb Kinney and material from AECOM. We are moving down a road where we are trying to figure out if there should be any betterments that's one of the items on the 6 scenarios to date or given the CWMP Policy and the Select Board policy from 2018 whether we should have a policy that is, the collection system only goes as a betterment. Or if we take the whole project and divide it 80/20, 80% taxpayers, 20% to the people who were connected to the system. And then there's another scenario of 50/50 and then scenario 6, which is 90/10. When we began to talk about best betterments as a Select Board policy, on February 4, 2018 Tom Parece and I and others spent a lot of time talking with people in Downtown about betterments. The Select Board ultimately came to a betterment policy that was the people Downtown were going to pay for the collection system, and the taxpayers were going to pay for the rest. At the time when the project was $47,000,000 about 20% of the total

project cost was in the collection system, so we were actually consistent in 2008 and had an 80/20 system. But what has happened is that the future systems, predominantly collection systems, so when you use that policy from February of 2018, you end up in a situation where every new section of the system, like Meetinghouse Pond is paid for 100% by the people that are connected to the system. Considering the existing policy, Meetinghouse Pond's charge is 3.8 times that of the Downtown area. When you look at all of these betterment schemes, the numbers get to be pretty big. So as one who had traveled around the neighborhood telling people in our medium cost housing, (500-600 condominiums Downtown), that their betterment charge would be less than $5,000 and I look at the other alternatives other than 90/10, I discover that we're not following that anymore. So that's the background that I'd like you to have as we talk about betterment choices here, because I think the Select Board at their meeting tonight would not like to know what the Board of Water and Sewer Commissioners think about betterments.

- Dick Hartmann: Considering the average betterment, when we talk about 80/20, or 90/10, we cut the average in half. You look at the number of users that are one sewer unit that are still going to be in that $5,000 range. So I think that is in keeping with your goal. I think that needs to be clarified that the average betterment of the top 10 users (minus the municipal users) two of them are publicly traded international corporations, which will carry some of the load. The high-water users, as designed, will carry quite a bit of load for those kind of units in every scenario accepted. The less on betterments, the less they'll carry.
- Herb Kinney: The discussion is between betterments and putting everything on the tax rate. Kathy Doane suggested at the end of meeting last time before the Select Board, to put it on the tax rate. I've got a couple of problems with that, 45 years ago, almost everything in the Town was on the tax rate, and then, proposition 2 ½ came along to protect the property tax and make it more difficult for the Town to charge for this event. The Town started going to more fees which kept rates lower, and created Enterprise Funds, etc. Establishing the philosophy that the people that are using it should pay more. Our whole tax system is a mishmash, because for example, how many people use the schools? And yet I'd hate to see the schools come off the general tax rate, because education is so important. So we're in a mishmash of the people using it can find all kinds of justification for putting it on the tax rate. By the same token, even with the Meetinghouse Phase 2, one quarter of the Town will be sewered. That means three quarters of the residences, will be paying a betterment in essence for the one quarter that are getting the use over a project in the bondings. 30 years. They're paying that betterment when other people are really having their properties bettered. The properties are better going on to the sewer. They're paying that, and they're paying it for 30 years that doesn't seem quite fair to me either. So I think I'm very much in favor of having part of the expense of this thing handled through betterments. Now, how do you get there's a betterment thing in what I vote up? You can figure out percentages for the betterment anyway. You want to on each individual phase that's depends on how you write the betterment by law. Then you could take into effect, putting part of that cost of the collection system, the tax rate and part on the betterment fee, and you could also adjust the percentages. So it kept the actual betterment fee being charged to each residence more consistent throughout the town. Maybe that's important. Maybe it isn't, but the bottom line for me is we need a system that is fair and reasonable overall. I think it is only fair that we have some kind of betterments. My idea and the betterments was to come through a list of the factors went into the costing of the project. Whether it be phase one, phase two, phase three, one of those being commonality. In other words, how much of this stuff is going through what other people have already paid, or is to going to the common good as opposed to just the individual good and see we talked about that as many as 3, 4 years ago. I think there's some real questions on how we need to structure the betterment thing and I don't think we are at a place to finalize the betterments right now as much as everybody would love to see them finalized. Also with the public hearing I noted we had a number of members of the public there I'd never seen before. They certainly were not knowledgeable. They came for knowledge and information there's certainly a lot of questions in the community as to what's going on. We've tried very hard to make things open and available to everybody but no one seems to know what's going on. I think if the betterment bylaw is not kicked down the road to the fall meeting but was delayed until our usual Special Town Meeting in the fall. It would give us a really good opportunity to have some open round table forums this summer where the public is able to come and be more involved. This is a huge project. This

was sold to the public. Basically, the Town would cover its obligations to the overall water problem by paying for the treatment plant, users would pay for the collection system. If we change that, going on to the tax rate, or anything of that nature, it's a major change. The people need to vote that because and we need to give them the reasons why we feel it's better to make the change. I don't want anybody to look at us and say bait and switch, or any one of those words that come along the that may or may not be accurate, but I think we've got a lot of work to do on the betterment. I believe a betterment is present, because there are properties that are sewered. I believe that the residences that are not sewered are having to pay for somebody else's betterment. Which is their betterment to some extent, from the standpoint of water, etc. But over a 30-year period, I think we need to look at, and what that means. The fourth thing I would mention in there is maybe in the whole betterment concept. We need to do something to reduce the septage rate for residents. It gives them some kind of benefit, etc. etc. Those are all concepts, and I've been mulling around in my mind, and realized from the least technical point, probably on this board. But I think they're valid issues to consider and yes, we've got to approve the funding or Phase 2 in order to maintain all the State money and all those things. The betterment thing if it waited till the fall, and if we were active and diligent in preparing for that fall vote, I think that would have tremendous benefit.

- Len Short: Herb, as you and I left the open meeting last Wednesday, and we had a conversation about equity, and there were only 2 of us, and as you said at the time: How do you define equity we don't know how to really define equity, and make it really equitable for everybody? I've used a lot of thought on that and I think that one of the things that we need to do is there only 75% of this community cannot hitch into the sewers and don't have the prospect of being hitched into the sewers in a reasonable period of time. I'm talking maybe 10-20 years out those people also are going to be paying into this fee. We could put some money into that and help people with their septic systems. As time goes on they're going to need repairs or maintenance on their systems, and where's that money going to come from other than out of their pocket, and unless we put something into the fund that will help them to do that and also there is going to be grinder pumps along the way to, and the grinder pumps need to be maintained. They're mechanical machines that may break down so we need to have a possible resource for people to look to, and as being equitable, and that will help to some degree in putting equity into this whole thing.

- Alan McLennen: Let me let me divert Dick and others talk about this just for a minute. Referring to the spreadsheet in the handout, if you go to that summary of betterment scenarios, I'm taking what I've heard from the 3 of you so far, if you look at the current policy, and just go down to about the sixth or seventh line, the betterment per sewer unit under phase one. It's $9,252 so follow that line across, and you don't have to go very far to see very quickly that under the current policy downtown is going to pay $9,252 which is twice what we told them that they were going to have to pay, and Meetinghouse pond is going to be at $35,951 in the second column so in my mind that policy won't work. We don't need to spend any more time on it, because we have an incredible inequity. We've got to try and solve that in equity the next one is scenario number 3, which is all on the tax rate. Now, in that case we saw the problem because we're saying the taxpayers are going to pay for the whole thing. That is inconsistent with the vote in October of 2008 in CWMP which said there was going to be a betterment. It was going to be 80/20. So if you then go to the third scenario, which is label scenario number 4. In this case we have gone to the original betterment policy. What you discover is this is 80% of the total costs on the tax rate, 20% of the total costs as a betterment. What have is $4,730 for Downtown, which works for Downtown. It's consistent with what I told you when I introduced this because the cost of the collection system was 20% of the project when we started talking about this, but when you use that policy for Meetinghouse Pond, all of a sudden it's $7,190. So you're getting closer, you've got rid of the disparity between Meetinghouse Pond and Downtown. But you're still not there it's close. You go to the next one, which is the 50/50, which was introduced a week ago. All of a sudden the betterment, has almost tripled from what we told people in 2018 at $11,825, a little short of tripling this disparity between Meetinghouse Pond in Downtown, because Meetinghouse Pond is now $18,000. So when I say, we've got a betterment we're going to go 2 and a half times to 3 times what we told the voters in 2018 and 2019 and we're going to then hit Meetinghouse Pond with $18,000 and in Meetinghouse Pond this is $18,000 on top of connection costs, and more than half of those 480 parcels are going to have grinder pumps. So based on the Chatham experience, the cost for the owners in Meetinghouse Pond that have a grinder pump is going to be close to $20,000 out of pocket on top of the betterment. Given the disparity between the two the you say wait a minute that's probably not where we want to go and the the 90/10, something that was proposed at the end of last meeting and what you have is the first version that drops it down to $2,365 and $3,595 pretty close. And what you have interestingly enough, what the special act says that we will average the condo water costs usage with the single-family usage. So, in fact, you're going to end, if you add if the average of these together, you're going to be 1/3 up from $2,365, because there are twice as many condos Downtown as there are single families in Meetinghouse Pond so mathematically that's the way it works out. If you think about these two parts, comparison between Downtown and Meetinghouse Pond in actual betterment cost want to be close to parity. The only two that you can really think about are the column scenario 4 and scenario 6, because all the others, except for the general tax rate, which isn't fair either, because then everybody's going to have to pay for something and people are definitely getting benefited so that's the way I've looked at it over these months and years.

- Lynn Bruneau: Just a couple questions and points of clarification. If you could for the record and our audience, perhaps on this chart, clarify toward the bottom for everyone's benefit. There's this line that talks about numbers of users, numbers of betterments, etc., and there's a line called number of users without a betterment, and it's a substantial number for the current policy. Could you remind us from betterment 101, who those are, how that is? I understand some of that would be Town properties, but there can't be that many.
- Alan McLennen: Well, there aren't that many Town properties but what that is, is connections that have multiple users. So, for example, take rock harbor village. One betterment gets divided by the owner. It shows that you've got a 100 units there.
- Lynn Bruneau: It's because in doing the math, that one line on the current policy shows 321 with none. The next line down is 704. Those two add up to the total of 1,105, which we're using as the basis for Downtown. So that's the clarity then, the general purpose. Another totally different question, Alan. Could you also clarify for the benefit of all of us, and maybe coming back in part to a point that Herb made. What is it that we really have to do at Town Meeting in May? We really have to address the 32 million for Meetinghouse Pond. But what else do we really have to do as far as warrant articles? Do we absolutely have to deal with the sewer rates? Do we really have to see what I'm saying, what is it that really has to be dealt with then, because first flush, my words, is September 1st which is before the next Town Meeting.
- Alan McLennen: What we have to encourage and persuade two-thirds of those people attending Town Meeting that they're willing to vote for a bond authorization for $32,000,000. That has to be done. We have to be prepared now to explain how our current betterment policy does not work for Meetinghouse Pond, and what that says to me is that that we have to have a betterment policy that we present a Town Meeting in May so we should be ready.
- Lynn Bruneau: The collective should be ready for a betterment policy, knowing, as John Kelly was clear to point out at recent Select Board meetings, that going forward, it could be amended if need be.
- Alan McLennen: It could be amended, and depending on what happens in the next 3 or 4 phases, 8, 9, and 10, or whatever it could be. I think the argument, if we present the Town Meeting that in 2015 Town Meeting actually voted a $1,000,000 unanimously to proceed with the consensus agreement. So in the consensus agreement, we were dealing with Downtown and Meetinghouse Pond, and therefore I think we have to have a policy that is consistent with the consensus agreement. Even though we talk about Downtown and Meetinghouse Pond. I think we're going to end up merging the two numbers and as I said, it's going to be 2/3 toward the condominium rate away from the single-family rate. So that's why scheme 4 and scenario 6, are in the ballpark.
- Lynn Bruneau: Again, the importance of clarity and communication and we're running out of time and again, making sure we all understand what we really need to get accomplished in May and what the short list is.
- Alan McLennen: The other thing that we need to remember is that we are project number 10 out of 65 in the draft IUP the one of the highest scoring projects for the second time in a row, I might say,

and there is significant Federal infrastructure money that is sitting on its way to the State for projects like this, and I suspect that some of those projects in the draft IUP are going to get an additional benefit of Federal money based on some conversations I've had recently so the IUP will come out later in April, and the number that we have may be different than what we have today. It won't be worse, but it could be better. The other thing that I want to mention is that if we lose Meetinghouse Pond we will lose a year. We will lose credibility, and we will probably get a conservation law foundation lawsuit. We're going to get it done.

- Tom Daley: To finish Lynn's questions, we need rates at the Town Meeting approved as part of the budget, and so to make that happen, this Board needs to recommend, and the select Board needs to approve rates by the end of the month. So tonight needs to be recommended and approved by the end of the month. Because they got to be in the warrant and going to press on April 6th.
- Dick Hartmann: Additionally, people are starting to connect to engineers, and are spending money. It's time to let people know. Herb I don't disagree with you, that this being kicked on too far, I think that we do need to do our best to communicate it well, of course, stop saying I think there's been you know finally, a lot of real work, and discussion going into this, and I think that we it's fair to people that are cleaning up their property, hiring engineers getting work done on Tom's office submitting applications. It's time.
- Alan McLennen: I communicated with Reggie Donoghue (AECOM), who a couple of weeks ago, provided a log of every telephone conversation that he's and everybody, is mainly asking questions. In the 300 communications since we started 18 months ago, every single one of them he had in his a log, nobody was complaining. They just want to know how do we get this done right. What do we have to do? We've got a project that is basically on time on budget, and we've got to take advantage of that as we move ahead. I want to repeat it again when Bob Rich was on the original planning committee for wastewater. Thank you for being here for 22 years. Bob. The big issue was, how are we going to pay for then a $152,000,000 project. That's where it was $152,000,000, and at the time there were no zero interest loans. It was no Federal money, there was no State money, and the traditional bond issue was 20 years. Now we have worked meticulously to get to qualify for zero interest loans and on February 28th got the letter. It said, yes, our project is a zero interest loan. I asked Scott Walker, Town Treasurer, to tell me what it would have cost us, ten years ago if we had, and if we adopt the Meetinghouse Pond plan, we will spend about a $107,000,000 on wastewater here in Orleans if we had done this 10 years ago, under the conditions that were in effect, then we would have paid a $107,000,000 plus over $51,000,000 in interest that's equivalent to what the total wastewater project was going to cost, and we were only done less than half. So the other thing to remember is that we have also worked so hard to get other things done to help pay for this a $107,000,000. We created a stabilization fund. We did not know in May of 2019 what kind of money was going to come in. The only thing that we knew because we had tracked hotel motel revenues. We were going to increase them from 4% to 6% that would have resulted in a new benefit of a little over a $100,000. That was truth, so we could tell if we took that $330,000 and we put that in a stabilization fund we're going to get that through the hotel motel tax. We did not know what short-term rentals were going to be. In a fact, the presentation to Town Meeting said we don't know so it's not included. Over the last three years we have learned and Kathy Doane has told the Select Board and us and others. We are looking at Hotel Motel, plus short-term rental of over $1,500,000 a year and you saw it here, because it's helping us on the right side. So if you take the $107,000,000 just for the sake of doing it, we've got $24,000,000 that we're getting from Cape and Islands Trust, 14 for Downtown and 14 and change, 8 plus for Meetinghouse Pond. they got 24. If you take a 1,500,000 a year over 34 years or 35 years, because Meetinghouse Pond is going to delay by 5 years, it finishes. You have $50,000,000. 50 plus 24 is 74 and then you've got betterments depending on how you do it and the chart show us you end up in a situation where a $107,000,000 which would have cost you a $158,000,000 10 years ago. That's all on the taxpayers, it would cost something in the range of $24,000,000 against the taxpayers over 35 years. I don't think there's any project in the history of this town that has had that kind of benefit, and I don't think there are many places that in the last 40 years that have gotten grants since the Federal government shut down the 80 percent program. It was a 10% Massachusetts. This is being done

in the most cost-effective way that it can possibly be done. And we're down now debating whether you know the betterments are going to pick up $8,000,000 or $16,000,000 of the difference.

- Bob Rich: I wonder whether it be useful to take a straw vote about where we're at on the various scenarios, which one each of us favor.
- Herb Kinney: Before we take the vote, I understand your statement and I agree with you. We have a need to get the government bylaw and a need to get it out there soon. The question is, is the betterment by law ready, and I'm not sure I see the evidence of that. Okay, if the betterment bylaw isn't ready but we've got to get something on the books I'm not against putting something on the books, but I think it ought to be an understanding that we recognize it's not really ready for the final decision with a commitment to keep working on it so, and with a definitive timetable. So at the end of 3 months or so over the summer we get into that fall meeting. It can be reconsidered, and then we expect that to happen. But I just don't feel that the I don't feel it's ready and the second comment I have about scenario 6 so I talked about the fact that a lot of non-user taxpayers are going to be paying a lot of betterment, 90/10 makes it even worse than 80/20 maybe that's the best place to be, and that's the compromise where we should be I'm not at all against a portion of this being picked up on the general tax revenue but I do think it's very, very important to get some benefit in, for the people who are paying for this project but are not getting a direct benefit.
- Alan McLennen: In February, I think, February 4th, 2021 we voted unanimously to send sewer assessment bylaw to the Select Board for their comment and I will tell you that looking at the sewer assessment bylaw, or recently, the amendments we have to make, deal with general where it third paragraph would have dealt with 100%, Dick, as you you were Chariman at the time, and there are a couple of other little subtleties that would have to be changed. But the bylaw has been reviewed by Mike Ford as to be legal and it needs to be unearthed if the Selectman takes an action tonight and we take it apart.
- Herb Kinney: Yeah, but it also needs some work done on it and I think we need to be open with the general public about the fact we need we're not happy with it the way it stands right now. That we need to work on a little bit more and open it up to the general public to bring in their input over some open forums during the summer.
- Bob Rich: I just wanted to say, everyone in Orleans benefits from the sewer system. You could say some are intangible benefits but the some are really economic benefits. If we lose the cove for shell fishing and safe, smell free boating, and things like that, that's a big loss. Similarly, with the meeting house pond and all the downstream effect of that of our waters are really important, and I'm not a big person to tote the environmental horn. I am an environmentalist, but this is really important for everyone that lives here and everyone that comes here. People that come here are going to be paying for it in part through all these short term rental taxes and special. So I don't think we should lose new site of that even for the poor folks like myself, who never directly benefit from the sewer system but really in favor of it, and really in favor of paying a fair share.
- Herb Kinney: Bob, I am total agreement with you. But the percentages are relative. And is it, Mark M. he made the point there a lot of people and I've heard a number of people in town complaining about the fact, they don't get any benefit you can point out the fact that they do get benefit, and we all get benefit. How is that relative to the people that are actually going to be using this sort that's the ground we have to cover.
- Bob Rich: I agree, and that's why, I suggested a straw poll to see where we're at on this 100% to 90/10 spectrum.
- Alan McLennen: You know where I am. I think we I think we need to take a position as the Board of Water and Sewer Commissioners. I think frankly, we have a choice with a recommendation of 80/20, or 90/10, and I think we have an obligation at this meeting to take a position beyond a straw poll and so report to the Board of Selectman tonight at their meeting. So I'm open for a motion.
- Bob Rich: Well, I would move to put through the 80/20
- Alan McLennen: There is motion on the floor to approve the 80/20 proposal. Is there a second?

- Seconded by Dick Hartmann
- Alan McLennen: This is a recommendation to the Select Board by the Board of Water and Sewer Commissioners, who, interestingly enough today, have looked at what it's going to cost these people who signed into the system who are compelled to hook up. And so right moved and seconded any further discussion, if not all those in favor of Mr. Rich's motion. All those in favor signify saying aye, opposed, all right. The vote is 4 to 1. I will so report to the Board of Selectman.

- Preliminary Discussion of Sewer Rates
  - Alan McLennen: As background, we need to remember that we're starting a system. We have an operator of that system that costs us $1.9 million a year to make that system work and it's going to take some time to get everyone hooked up. So we need to figure out how to make it all work and balanced under our enterprise fund, and Tom and Dave have been handling this.
  - Tom Daley: As presented, I'm just going to go through some of the assumptions and some of the data we use to get to this point. You know we started looking at this a few weeks ago, a month or so ago, and very quickly I realized we need to bring in a professional rate setter, which is the smart thing to do and so Dave Fox is here with us this afternoon from Raftelis. You may remember Dave, he worked with us on the last round of water rates we did and was super helpful, so that's why we reached out today to help us on this one. So real quick I didn't bring my pointer because I'm out of practice here at the podium so I'm going to use the mouse on the laptop. We're looking at phase one coming online assuming around September 1 of this year, wanted to look at rates out 5 years which would include Phase 2 coming online in FY2026 and kind of see how this would all play out. So number of users for Phase 1, 1,105. These are the assumptions made for what we're going to show you on the spreadsheet. Septage FY2023 up to 16,000 but we graded it like a certain amount because you just can't take 16,000 run out of the gate. We have to start getting flow. We should start working into the system so we graded that into the system in 23, 24, we anticipate we should be able to take another 4,000, and then FY2025. Thereafter 25,000 gallons per day. We just use 10 cents per gallon as septic revenue. That's what we'll charge I believe that's what Yarmouth is charging. We feel we have a fairly decent captive audience out here on the outer cape, and then we assume that we could probably go up a penny and FY2025, and thereafter it wouldn't affect our operation at all. Water usage, phase one anticipated water usage, we based that upon the average of FY2018/FY2019 water uses within phase one and came up with 122,000 and change gallons per day. Bear in mind we were working to the spreadsheet with billing 95% of that number as wastewater. Here it is right there, 95%. Our operating budget currently with indirect costs, etc. is almost 2,100,000 for this year, and we anticipate no debt assuming the debts could be paid off by the wastewater stabilization fund.

    Okay, almost wrapped up here. Phase 2 comes online at FY2026 480 users, phase 2 water uses 55,000 gallons per day and some change again. 95% billing super operating you know we project out of the budget. You know how real is it. I don't know. I think it might be a touch high. But that's okay. We projected out a budget of $2,400,000 for this exercise, and again no debt, couple more assumptions overall. FY2023 we graduated the connections like we tell people you can start tying in September 1. Well, we're not going to have everyone tied in September 1. It's going to take a while and never mind it has to coincide when we're actually putting the bills out, a lot of bills out to take into account. When are we actually going to receive the revenue so there's actually 3 billing periods after September 1 the first one, I think I assume, like 13% of people tied in you know what I mean things like that and then, 3/8ths of our customers, maybe by February and 75% by the last reading in the year so we graduated that and that's in here is our retail revenue on Dave's chart. FY2023. Also we did the same assumption with septage we kind of graduated it in, and that's shown on the septage consumption on Dave's chart, which you'll see in a minute and then we assumed that wastewater Stabilization will help offset rates in 23 and 24, then we assume a 50% graduated buildout for phase one over 7 years, a zero percent increase in the build-out for phase 2 just based upon the nature of the customers out in that area. And then we use the $50 per quarter bill base ready, then what you see on Dave's chart also is other revenues which are a conservative estimate of sewer connection application fees so when people do start tying in it's a minimum fee of $250 so we use, we use the minimum fee to get some other revenues. So, with that being said, I'm going to let Dave take over because he's much better at this than and Dave developed a spreadsheet, and you can kind of talk through this and show you the rates.

- Dave Fox: There's a lot going on in the screen, and I'm going to try to make this is viewable as possible. What we have here is basically just a cash flow analysis of costs and revenues and balancing that with and I'm going to go through and I'll show you some details here in just a few minutes I'm just trying to set the stage of what we're trying to accomplish with this spreadsheet. It's basically a cash flow analysis of the revenue requirements or the costs are going to be generated on an annual basis for the sewer fund as well as the revenues that are going to be potentially generated, based on some assumptions, many of which Tom just went through with flows, kind of building in phasing in the number of customers over time they're going to connect phasing in, the amount of septage that you're going to be able to take in, and the amount of revenue that's collected accordingly, and those are all balancing out and generating revenue amounts based on a couple predefined assumptions, one of which Tom already went through, which is a $50 per quarter fixed charge. So, no matter if you know as soon as a customer connects whether they're using the system or not they'll be paying that $50 fixed charge per quarter, which is incredibly common in the sewer industry to have a fixed charge, just to generate some revenues, whether customers are using the system. So you know whether they're using the system or not there's largely all your costs are going to be fixed in the beginning, or the vast majority of them, and over time it's reasonable to assume that you'll collect some of those revenues from fixed charges. So again, just more conceptually here before we get into some of the details, we're balancing the core costs on an annual basis against the revenues but another element to this is looking at the stabilization fund and the amount of revenue there to try to mitigate the increases on customers in the short term such that you're not having a significant volume metric rate for wastewater consumption, or demand right out of the gate and is there a way that we can phase that in and that was kind of the impetus for, or you know, for this entire analysis was to use a cash flow to not just think about year one or 2, but to look into the future with the best crystal ball we can put together to try to determine what things might look like over time, and how can we potentially phase in the rates to mitigate customer impacts and kind of just phase that in, and so move down here you're seeing this wastewater stabilization fund. Starting at about $2,200,000 having that tax revenue coming in of about a 1,500,000 which is going to for the purposes of subsidizing the sewer fund it's going to go away because it's in 2020. So that $1,500,000 for purposes of subsidizing sewer operations are going to go away in 2025 because they're going to be utilized for purposes of offsetting the dead service in 2025 but we have the luxury of utilizing those revenues to kind of buildup that reserve fund in the first 2 years, fiscal year 2023 and 2024 and then what you can see is as these deficits in an annual basis these are really just subsidies so the revenues that we're generating from the rates that I'm about to talk about are not fully generating enough revenue to offset the total operating costs in any given year up until the tail end of our forecast but we have the luxury of doing that because we have enough money set aside in the stabilization fund to phase in those rates so you're not seeing a significant increase.

  So let me just jump to the punchline here, and you'll understand where I'm getting at where it's. Assuming these, you know septage revenues Tom already went over these assumptions but the retail revenues. These are the revenues associated with just your typical customers. Leaving that $50 per quarter fixed charge alone over the forecast period, we're starting to phase in the remainder of that revenue is going to come from a user charge on a per 1,000 gallon basis, you know, based on water consumption, and we're assuming that it's going to start in this instance, and we have 2 models here, one is a partial buildout and one is no build out at all. There's really not too much of a difference between the 2. So I'm just talking conceptually in this model with the partial buildout which is a little bit more of favorable outcome in terms of the number of customers connecting, and the flow that you're going to receive from those customers. So we're starting in this this model with a $6 per 1,000 gallon volumetric charge. What you can see is over time that's increasing about a dollar up until the point that we get to about 2030 where that's a $14 per 1,000 gallon charge, and at that point we're for the first time starting the sewer fund, the revenues coming in or offsetting its operating expenses and its indirect cost, so it's total revenue requirements less debt service doing so in a revenue sufficient manner. The reason that we're able to do that is because of that wastewater stabilization fund and kind of slowly using those dollars every year to stabilize the rates to not have otherwise if we didn't do that, you'd be sitting here with a boatload of cash, and that boatload of cash would maintain over the forecast, and we need to have the forecast start with a $14 per 1,000 gallon charge and so it gives us the again I'm using this term, it gives us the luxury that rates stabilization fund to phase up to that $14 per 1,000 gallons rather than get there, and all one fell swoop which is, you know, great from the standpoint of mitigating customer impacts and I'll point out one more thing, and I'll pause for any questions, because I know I just went through a lot in a short period of time. The stabilization fund, as you can see, it is kind of drawing down once that 1,500,000 goes away. But even at the end of the forecast we're sitting there with a reasonable amount of money, So it's not like, you know, and we talk about a savings account or a rainy day fund. It's not like at the end of this 10-year forecast or not quite 10-year forecasts getting out to 2030 which it's pretty gray out there, but it's not like we're forecasting that you're going to have zero dollars in your rainy day or your savings account you know we're talking about you know $400,000 or so. So again, if just a little bit of a mitigation and once we start the getting out into fiscal year 2024, 2025, 2026 we'll have a clearer outlook that crystal balls, and it's kind of hazy right now when we get past into 2027 and beyond as we start moving into the forecast customers are connecting, that crystal ball is going to be coming a little bit more clear every single year, and we'll be able to modify this forecast and potentially adjust accordingly. You know, perhaps, we are being a little conservative here, and showing maybe the worst-case scenario or worst-case scenario would be this no buildout, so we're showing in 2030 for the partial buildout a $14 charge and on this no additional build-out at a $19 charge per 1,000 gallons. So that kind of showing you that magnitude of difference. This would be the worst-case scenario and again, I think we're having some fairly conservative assumptions in here that can get dialed in as we move on through the forecast. But the fact that you know these rates don't they don't scare me. I do water and sewer rates all across the Commonwealth, New England, and really across the country and if you told me that sewer would be $14 per 1,000 gallons in 2030 that wouldn't surprise me whatsoever. It's not like we're talking about $50 per 1,000 gallons, which I think would start giving me a bunch of heartburn, and I'd say we have to figure something else out but this forecast even if it was the $19, that wouldn't surprise me either that doesn't give me too much heartburn, and so the fact that we are able to fully finance all operations with a conservative forecast and still maintain do it, in such a way that we're phasing in with those customer impacts and do it in such a way by the end of the forecast. The Sewer Fund is revenue sufficient from an operational standpoint, and there's still dollars sitting there. that stabilization fund that's very favorable to me.

- Kevin Galligan: I have some background in utility rates, so I do kind of love this stuff, Dave, really great job. I do want to share with you I did do some comparatives that was typically the thing that folks like a select board member, or even a Water Sewer Commissioner, might ask so comparative to for example, the town of Rayham, which is in phase 7 of their sewer program you're really in line very much on the residential side if anything, a little under. I also brought up the town or Provincetown rates and they're projecting their rates per gallon in the current period at about $15.65 per 1,000 gallons. So I think you really have picked a nice starting point Dave and only question I would have, and I'm sure which one you considered, and I like the simplicity of this but just have to ask did you in fact consider maybe a split rate between residential maybe single family residences versus the larger commercial load on the plant?
- Dave Fox: That's a great question for this initial analysis we did not start getting into the breakout. It would concern me a little bit differentiating by customer class in the short term before we know who's connecting, their actual consumption, what the differentiation would be. I think it's reasonable to potentially do that at a later date. You know we would typically differentiate. a residential customer from a non-residential customer based on the strength of their wastewater. That's really the differentiating factor whereas on the water side if you differentiate by customer class it's typically based on the peaking characteristics and how much demand, you know, peaking demand a customer class exhibits on the system, then another customer class. But there are ways to do this on wastewater I would say in general, across the industry. It's more common to have just a uniform rate across customer classes on the sewer side. I wouldn't be opposed to looking into it but it would give me a little bit of heartburn without seeing the actual breakout of customers when we're looking. We're making some you know some big assumptions already with regard to when customers are

going to connect, and how much flow they're going to be contributing. I'd like to see a little bit of data coming in before we started differentiating but I wouldn't be opposed to it at a later date.

- Lynn Bruneau: Did you work the model a little differently dynamically to show some of the further years built out from what we got in the handout?
- Tom Daley: In the handout we did 5 years out, because typically a rate studies 5 years out. I grabbed the spreadsheet that was showing some additional years. It's much more fictional. You really probably want to look at was the last year 2028 so this just goes further.
- Dave Fox: The difference between the $14 and the $19 is just a little bit more aggressive assumptions with regard to the build-out to additional customers coming on in the system so if we go to a little less aggressive assumptions, if we don't have as many customers on the system, we don't have as much flow we don't have as much fixed revenue and so accordingly, to balance that same amount you know the operating expenses don't change as much between the 2 scenarios. We'd have to have a higher=charge to be able to offset that again.
- Lynn Bruneau: Here when we talk, build out, we use build out to just mean a couple of things. One is just total number of customers, but then when we talk about build out of downtown we're talking about enhancing the who's connected for that and what I wasn't sure about is whether you are factoring in the concept of build out of downtown in a different way from just adding just regular numbers of customers.
- Tom Daley: The build-out numbers actually came from the you know came from AECOM. I mean there were AECOM flows with a lot of assumptions that were done. I don't remember all the details of it so we only took a percentage of that as part of that build out. You know a little percentage every year, to be conservative and if I may also, on the on this whole thing, as Dave was saying, you know we're starting off early, we know what our budget most likely is going to be for next year. But once we start getting some history, and how much electricity you want to use, and how much fuel we're going to use, and how much chemicals we're going to use. Then we can, fine tune I would like to think that the budget is going to stay quite stable. I don't know if it's going to go down, but it may not go up as much. We use some higher percentages on increases in that. On top of that, who knows what we can make on septage, septage is a very viable revenue source. We're only saying 25,000 gallons a day but we might do better than that so we'll see how that again. We need some history behind us. and then, you know, Kevin, your question, great point. Towns do a lot of different things with their rates. They do seasonal rates, never mind the different categories of residential versus commercial, so I think in time we'll probably get to some of that stuff but I think right now is kind of the keep it simple.
- Lynn Bruneau: Simple, too, for understanding of the town where we're getting so complicated when this is all being introduced, that the simpler this can be for early days the better, I think.
- Alan McLennen: Yeah, Lynn, if I can follow up on what Tom was saying. We went back to the build-out scenarios that were developed way back in 2015 to 2016 and then took pieces of that to say, Okay, when might something happen, knowing what's out there today? When might certain projects come online? And how would that affect flow? So we're using as much information as we have. The second thing that's to me is sort of interesting is the whole septage revenue. When you look at the numbers here, the gross revenue from septage is roughly equivalent to what Tri-town was bringing in when it was at its peak, which was about 12 to 15 years ago. So we've been somewhat conservative there although we're growing it, and the thing that is out in the marketplace, as we have watched Cape Cod Commission 208 plan get implemented, Orleans is sewering, Eastham is not, Wellfleet is not yet, Truro is not, Provincetown is expanding, so the septage need is still there, and what we also know is that Yarmouth is now moving ahead and their septage treatment plant is above capacity today. I happened speak with a hauler who told me I can pump it today, but I can't get into the plant for 2 days. There's a backup. Chatham only takes a little bit of septage from its own residence. There's nothing in Harwich, nothing in Brewster, so we think we're in a nice place at the exit that's a quarter of a mile from this plant.
- Dave Fox: Shows Annual Sewer Bill Comparison slide. There are obviously some assumptions built in here based on that I'm trying to make this as big as I possibly can. There are some seasonal

rates across the cape funds who are making some assumptions at the distribution, so we could put these on an annual bill basis. But you know right now our fiscal year, 2023 rates, for Orleans on the sewer for a typical residential customer would fall right in the middle there and then if we look out to 2027 under our worst case scenario, we're up to $632. Still well below Bourne and you know this is these are the rates right now so you go 5 years out from now I can almost guarantee they're going to be more from this or at least very much in line. So you'll probably be still kind of right in that the middle of the chart. I actually don't love doing bill comparisons just because every community's situation is very different but I think it's just a gut check to show you that you're not way over here to the right you know we're not showing you bills that are just, off the charts. It's just that gut check that you're in the realm of reality with some other communities. I don't think to hang your hat too much on this. You need to do what you need to do for Orleans and don't compare yourself too much to others but again, just that gut check I think is important.

- Sewer Updates Including Update on AECOM Study of Next Phases
    - Alan McLennen: Tom Parece, I don't think we need to go into any sewer update because we've had a lot of sewer the last hour and a half. We will see you probably tonight at the Select Board Meeting.

Meeting Adjourn by unanimous consent: 2:39 pm. Moved by Len Short, seconded by Bob Rich.