

State of Rhode Island
County of Washington

In Hopkinton on the fifth day of March 2018 A.D. a workshop was held in the Town Hall Meeting Room, 1 Town House Road, Hopkinton, RI 02833 beginning at 6:00 p.m. to discuss and consider the following: Waterline Capital Improvement Infrastructure Expense.

PRESENT: Frank Landolfi, Thomas Buck, Barbara Capalbo, Sylvia Thompson, David Husband; Town Manager William McGarry; Town Clerk Elizabeth J. Cook-Martin.

ABSENT: Town Solicitor Kevin McAllister.

Also present: Brian Rosso.

DISCUSSIONS ON THE PROPOSED WATERLINE CAPITAL IMPROVEMENT INFRASTRUCTURE EXPENSE:

Council President Landolfi asked Mr. Rosso if he wanted to start them off with a recap of the two options that the Town had which was either a variable or fixed rate option. Mr. Rosso stated that they had discussed on January 16, 2018, the new water tank which was going to force them to pay \$9,101 to Richmond on an annual basis. The Town was going to need to increase the rates to be able to pay that extra amount. Mr. Rosso stated that he looked back at what the Town had done in the past and found that in 1994 they had a formula that they used to come up with a payment for debt services. Mr. Rosso believes it was a very good method. He indicated that it will appear as one line item, instead of changing the whole structure on the bill, called "Debt Service fee." To come up with the rate, Mr. Rosso indicated that in the past they have used a methodology based on the pipe area and the square inch of the pipe whereby they calculated a cost per gallon based on that figure. Mr. Rosso averaged a five year history of our usage by pipe-size and calculated the rates with that figure; and, by using that figure and only needing to obtain an additional \$9,101, he calculated a new rate. He indicated that the Town could accrue a cushion if they wished. Councilor Capalbo stated that these funds were only to pay Richmond for the new water tank. She asked when Richmond anticipated on renovating the old water tank because if it was going to be soon then the Town should give themselves a buffer

so that they will not have to raise those rates again. Mr. Rosso indicated that he hadn't heard anything yet and did not know what that cost would be. Councilor Capalbo indicated that if the Town did provide themselves with a buffer when they found out what those numbers were anticipated to be, they could then lower the rates. Council President Landolfi reiterated that the Town did not know what those rates were going to be and he had spoken about this a while ago with Henry Oppenheimer. Mr. Rosso believes that this would be a huge estimate because rates are changing. Councilor Husband questioned if they would be using the old tank and the new tank or just leaving the old tank in case of emergency.

Councilor Buck believed that they would be using both tanks because they couldn't allow a tank to go stagnant. Councilor Thompson stated that when the water line first started the Town had zero funds so they went to a Town financial meeting and there was a loan payment just under \$6,800 due to USDA. Back then there was no revenue but they had to make a payment so at the Town financial meeting the voters approved paying the one-time fee and that was for paying the first year of the loan. Also, she stated that the Town in 2004 or 2005, decided to pay off the loan to the USDA and have the waterline pay the Town back. She believes it took three years to pay the Town back. In 2006 or a little after that, they felt that the waterline was bringing in more money than necessary because the loan was paid off so they decreased the bills. However, since there was such a nice reserve they were able to buy new water meters. She feels that there is a need for a reserve in case of a break or if there is a Department of Health issue. She feels that they need to pay off Richmond. She reviewed the Agreement and the Amendment to the Contract which states that there should be no penalty for prepayment for the \$9,101 owed. Councilor Thompson questioned if they paid off the debt early would the Town still owe them the \$9,101 times 40 or would it be less because of no interest or less interest. Council President Landolfi indicated that it would depend on when the loan was paid off, but yes, it would be less if paid off early. Councilor Thompson indicated that the only suggestion she would make is that they do need to raise more money and they should build up a reserve again in case something happens and they need to come up with a number. She asked Mr. Rosso, if the Council agreed, just to look at this

and come back to them on Thursday. If they set up a schedule to pay this off in five years, what that figure would be. She indicated that her thinking was that if the Town paid this off, the waterline fees could pay back the Town at a lower amount of interest. The money to pay this off would come from the fund balance. Council President Landolfi indicated that he is not on the waterline and he does not want to pay for it. Councilor Buck stated that the general fund is taxpayer dollars, not just the 53 users. Councilor Capalbo indicated that she felt this is interesting to pursue. She indicated that this is one Town and not two and she has no problem with Ashaway helping Hope Valley or Hope Valley helping Ashaway. She believes this is worth looking at because the Town likes not paying interest. Council President Landolfi indicated that they have two choices. They have a \$9,101.20 expense for the waterline and they have to figure out what formula they are going to use to accommodate that debt service. Thereafter, the Council can talk about whether it is a fixed cost which is really just taking the number of users and dividing it by the \$9,101.20 and spread it out evenly; or, we can use the 1994 formula that Sylvia is referencing. He indicated that Mr. Rosso had tweaked that even further with some blended factors with historical usage rates. Council President Landolfi felt that they were getting ahead of themselves with looking at paying it off. He believes they first have to solve this problem. If they want to look at paying it off down the road that would be fine but he personally won't support having anyone else who is not on the waterline pay for someone who is. Councilor Husband indicated that if the users of the waterline did not want to pay the interest then they should come up with a lump sum amount to pay this bill. Council President Landolfi asked Councilor Thompson how the Town, in 1994, came up with that formula and Councilor Thompson reported that she wrote the formula and sent it to the Council for approval. Mr. Rosso indicated that they could easily increase the amount if they wanted to have a reserve. Councilor Thompson indicated that most people have three-quarter inch pipes but there are some elderly residents that she knows of who use less water and she feels they should not be paying the same as the people who use more water. She feels that they definitely should be using the old formula to figure out how much they need. Council President Landolfi questioned whether

they should use the 1994 formula or Mr. Rosso's blended formula. Mr. Rosso's formula is a little more up to date as far as usage and achieves the same goal. He indicated that he agreed that they have to be sensitive to the people who are going to have more impact. Councilor Husband indicated that they did not know what type of surplus they would need. Mr. Rosso stated that if they gave him a figure for example of \$12,211 and he plugged that into his formula, the rates would be the same. The only reason that the rates are different is because he is prorating them based on the old rates to get us to the dollar amount we want. Councilor Buck reasoned that based on that \$12,211 figure, if we paid the \$9,101 due Richmond, we would be keeping \$3,000 a year to build up a reserve. Councilor Husband indicated that they could do this over three or four years to build up a reserve and when they feel they have enough they can bring the rates down. Councilor Buck reported that the Town was paying Richmond per gallon. Mr. Rosso indicates that this will not affect the per gallon fee paid to Richmond. Councilor Buck asked how long the rate would be the same and Mr. Rosso indicated that Richmond could change the rates any time they wanted to. Mr. Rosso went on to state that the Town's agreement with Richmond gives them the liberty to have us repay what their customers pay rate-wise. Mr. Rosso explained that this was going to be a separate line item on the bills which will just be to recoup the cost of the debt service. The usage that we are being billed from Richmond, we are just billing out at a slightly higher rate to our customers, just enough so we can cover costs. Richmond's usage is already covered by our usage bill so to have a separate line item on the bill times their usage, he feels is less confusing and more transparent. Council President Landolfi stated that in order to come to a consensus they needed to agree on how much extra they will need to put into that reserve account. Councilor Husband questioned if they knew how much it cost to clean the tank and Councilor Thompson indicated that she did not feel that \$3,000 was enough of a reserve per year. Councilor Husband questioned if Richmond had to hire someone would we have to pay 16% of that cost or would we have to hire our own person and it was believed that the Town would need to hire someone themselves. Councilor Buck questioned how much it would cost to get a bulldozer, dig up the pipe and replace it. Mr. Rosso indicated that there was

close to \$5,000 in a reserve right now and that is after paying the debt service for the last two installments. Mr. Rosso indicated that this was the balance in the debt service account. Those costs that we are incurring for water fees, those generally he would group them in with in-house bills which are being consumed by rates. He believes that we would have to adjust those rates to cover those costs, not the debt service account. We are turning this rate into something to cover other expenses that should be covered by the normal waterline bills. This is to cover the cost of capital improvements, not to cover other waterline expenses that are not included. Councilor Thompson indicated that they used to call it capital and maintenance. Mr. Rosso indicated that it is now considered general waterline expenses and then they will include them in general rates. Councilor Thompson stated that left the way it was it would come in at \$12,000. Council President Landolfi asked Mr. Rosso about the factors that will be the same, but when he did the historical analysis of fiscal year 2015 to 2018, he came up with certain factors which were different than the 1994 factors. He questioned if we want to achieve the \$12,211 would he just have to back in using that figure. Mr. Rosso indicated that was correct; he had taken the old rates multiplied by the historical usage. He prorated the rates to get the amount and the new rates are based off of usage. Councilor Capalbo indicated that she would like to increase the amount to \$12,211.77 for this will bring in a little extra for a reserve. Council President Landolfi questioned Councilor Thompson on how many people had usage of less than 30,000 gallons. Mr. Rosso indicated that there were only a handful of people who used less than 30,000 gallons. Most of the people used between 50,000 and 100,000 gallons. The commercial establishments use approximately 100,000 gallons. Mr. Rosso indicated that the average residential usage was 51,000 gallons. Councilor Capalbo asked when the water pipes were put in and Councilor Thompson stated 1994 or 1993 and she could check that but the Department of Transportation put them in when they upgraded the road. Councilor Capalbo confirmed that the lines have been there for about 25 years. She questioned what the life expectancy was for these pipes. Councilor Thompson indicated that she did not know. Councilor Capalbo thought it would be about 50 years. Council President Landolfi said the Town has to pay the third

installment and Mr. Rosso indicated yes, that this would be paid before the end of this fiscal year. He indicated that if needed they could set up some sort of receivable where they could use Town funds and pay back the Town funds; that amount would be about \$4,000. The bills are paid quarterly so the next bill would be due on March 30th. Councilor Thompson asked what the quarterly months for payments were. Mr. Rosso indicated that they are September 30th, December 31st, March 30th and June 30th. Councilor Capalbo questioned Mr. Rosso about the print-out and his example and asked if the amount shown was yearly. He stated yes, he didn't want to confuse everyone with showing quarterly bills. Councilor Husband asked if Mr. Rosso had a percentage figure as to the average household's increase to their water bill and Mr. Rosso stated that this is what his hand-out showed. Councilor Thompson asked if they wanted to put this matter on the next Council agenda. Councilor Buck stated that they needed to send out something explaining the situation to the effected people. Mr. Rosso indicated that anytime there has been a change in the water bill he made sure to include a memo explaining that change. Councilor Thompson indicated that Mr. Rosso should indicate that this was the same formula they used in the past to pay off a loan before and now there was a need to do this again. Council President Landolfi indicated that this concluded the workshop. It was indicated that this matter would be put on the next Council agenda to vote on the debt service surcharge rate.

THE WORKSHOP WAS CLOSED AT 6:30 P.M.

Elizabeth J. Cook-Martin

Town Clerk

Marita D. Breault

Deputy Town Clerk