

FY2008 Budgetary Hearings

Appropriations Committee

Chairman Brodeur, Tramontozzi,
Boisselle, Buonopane, Conn,
Forbes, Heavey, Infurna, Seaboyer,
Wright, Mortimer
In attendance: City Auditor/CFO
Patrick Dello Russo, City Engineer
Bob Beshara, Deputy City Engineer
John Scenna

Appropriations called to order by Chairman Brodeur at 8:45 p.m. Chairman Brodeur says the purpose of this meeting is to hold a public hearing on the FY2008 water and sewer rates.

President Mortimer motions to join the two orders before them, 2nd by Alderman Boisselle. All in favor.

Order No. 07-179, Amending Melrose Revised Ordinances, Chapter 228, Article II, Section 228-15 (Water Rates Established) by deleting: after the words Residential rate "\$4.15" and insert in place thereof "\$4.70"; delete after the words Commercial rate "\$5.20" and insert in place thereof "\$5.75"; further delete "effective July 1, 2006" respectively and insert in place thereof "effective July 1, 2007" respectively.

Order No. 07-180, Amending Melrose Revised Ordinances, Chapter 228, Article IV, Section 228-30 (Sewer Rates Established) by deleting the words "rate of \$7.10" and insert in place thereof the words "rate of \$7.80"; further delete after the words rendered as of "July 1, 2006" and insert in place thereof "July 1, 2007".

Chairman Brodeur asks for a motion to open the Public Participation portion of the hearing. So moved by Alderman Buonopane, 2nd by Alderman Boisselle. All in favor. No one comes forward. Alderman Boisselle motions to close the Public Participation portion of the hearing, 2nd by Alderman Buonopane. All in favor.

Chairman Brodeur invites Mr. Dello Russo, Mr. Beshara and Mr. Scenna to address the committee.

Mr. Beshara says there are some outstanding issues with the two budgets that prevent him from knowing with certainty what the rates will be; the MWRA assessment has not been determined, the MWRA budget has not been finalized, and the amount of rate relief granted by the state legislature has not been voted on.

He is presenting a break-even budget with an extra amount of revenue needed to fund the funds. Looking at the pie chart provided for the two budgets, the MWRA water assessment takes up 54% in FY2007 and 50% in FY2008. Debt is 14% in FY2007 and 17% in FY2008. The operating budget in FY2007 is 32% and 33% in FY2008. The MWRA sewer assessment is 83% in FY2007 and 82% in FY2008. Debt is 6% in FY2007 and 7% in FY2008. The operating budget is 11% in FY2007 and 11% in FY2008.

The City has very little control over the three largest factors: assessment, rate relief, and the MWRA budget.

The two Enterprise Funds are currently running a revenue deficit. He expected to break even but there will be a deficit. The deficit from FY2006 was \$310,000. In FY2007 he estimates the deficit for water at \$325,000 and \$125,000 for sewer. The rates presented last year do not offset the deficit. He says the Board of Aldermen needs to look seriously at this because the Department of Revenue will not let this trend continue. The deficit will change over the next few months and he thinks the water rate will have to increase by 35 cents and the sewer rate by 20 cents just to cover the deficits.

To keep the water deficit down the DPW stopped all water projects in November and the winter was relatively quiet with just a half dozen pipes breaking. He held back on doing water projects to conserve funds to cover the deficit. The deficit is also driven by consumption: conservation, new construction and new appliances using less water. The trend is to use less water. Consumption is down but the cost is growing.

Mr. Dello Russo says that relative to the revenue, there was no cash brought over to the reserve in FY2007 and the City is realizing a deficit in both the water and sewer Enterprise Funds. He says the DPW did the right thing by not expending any funds unnecessarily. Additionally, with the margins as thin as they've been for the last several years, the City does not break even. With everything provided in the packets before the committee, the possibility to break even is remote.

Alderman Seaboyer says he has prepared a packet with a history of the MWRA. On 28 February 2007 the MWRA's preliminary water and sewer assessment increased by 4.7%. After setting its initial assessment a dam was discovered to have PCBs which will cost up to \$3 million to treat. That figure will be included in the FY2008 budget. It's believed that up to 12 other sources may have the same problem. The rate for the City is in flux as the final assessment will not be determined until late June. The House of Representatives has approved an additional \$10 million in debt service assistance and that proposal is going before the Senate. When the vote was before the House this board sent a resolution urging that it vote for additional relief. He will bring forward another resolution when it goes to the Senate.

Alderman Conn says the Board of Aldermen cannot be expected to pass these rates. Mr. Dello Russo says the revenue deficit for water as of May 1 is \$325,075. Last year's deficit was \$125,000 and was carried over. Alderman Conn says if the deficit trend continues the City will have to take projects out of the budget. He is not surprised that consumption is down because people can't afford to keep paying these rates. The Board of Aldermen is not trying to create a deficit when setting rates but people are paying \$1,000 a year for water and sewer.

Mr. Beshara says he recognizes the frustration of the Board. The bar chart shows that the operating budget is bare bones. Each year consumption decreases. Last year's water rate was based on 660 million gallons being consumed but the City isn't going to sell 660 million gallons.

Alderman Conn says the state has the City between a rock and a hard place. The only thing that can be done is to work with the budget. He asks if there are any other funding

sources to be used. Mr. Dello Russo says that any lawful fund may be put into the Enterprise Fund but the problem is that it would be one-time revenue and will cause next year's hole to still be there. All monies have gone to keep the rate down, not to do new projects. He has tried to stabilize the budget for the past two years but it hasn't happened. The City has to continue to be diligent and keep the rate as low as possible. Alderman Conn says it is possible to earmark dollars to pay for debts by using Free Cash but that's not advisable. Mr. Dello Russo says that is correct. Alderman Conn says he appreciates Alderman Seaboyer's good work but he is tired of the resolution game. The legislature should be well aware that cities and towns are not happy with the way the system works.

Alderman Buonopane asks how the rate increase affects the individual home owner on average. Mr. Beshara says the combined water and sewer cost the average homeowner \$737.80 in FY 2007 and will cost \$820.00 in FY2008, an 11.2% increase. He says these numbers were generated through the MWRA's statistics. Alderman Buonopane says it is basically the same increase as last year's which is \$80 to \$100. Mr. Beshara agrees. Alderman Buonopane asks if he sees any extra relief coming. Mr. Beshara says the legislature will do what it's going to do and it will cut its budget with rate relief in mind. Mr. Dello Russo says the City has to pass a budget by July 1 or City employees can't be paid.

Alderman Forbes asks if Oak Grove Village is metered during construction. Mr. Scenna says yes, and the contractor is sent the bill. Alderman Forbes asks if they pay for sewer and Mr. Scenna says no, just water. Alderman Forbes asks if they pay the same rate as other rate payers and Mr. Scenna says yes. Alderman Forbes says the contractor is out to make money and asks if the City can increase its rate. Mr. Beshara says yes, the City can do so, but developers use very little water and the meters are hooked up ASAP for the condo owners. Alderman Forbes says the contractors at Oak Grove used a lot of water on dust control last year. Alderman Forbes asks if the six water main breaks during the winter were a surprise. Mr. Scenna says it was not out of the ordinary; they were all old cast iron pipes. The surprise was that they all came at the same time and outside contractors had to be called in. Alderman Forbes asks if it is possible to tap into the Stabilization Fund to reduce water and sewer rates so that every household benefits. Mr. Dello Russo says it would have to be a one-time occurrence and the City would have to have a plan to replace the money taken out. It would probably not be a long-term benefit. Alderman Forbes says the legislature is saying it will be August 1 before the budget is set; homeowners will be hit with an astronomical bill. Mr. Beshara says he thinks the Board of Aldermen needs to set the rate as of July 1.

Chairman Brodeur suggests since the numbers are in flux that the public hearing be continued until June 18. So moved by President Mortimer, 2nd by Alderman Infurna. All in favor.

Order No. 07-164, Water Enterprise operating budget for Fiscal Year 2008 in the amount of \$3,842,275.36

Mr. Beshara says the operating budget for the Water Enterprise Fund is 33% of the total. He increased the budget in certain areas to allow handling day-to-day issues. When a water main breaks it has to be fixed immediately. With broken valves or hydrants, the

water may be turned off or the work may be delayed. He made cuts in the budget where possible and made increases where necessary.

Chairman Brodeur leaves the chair; Vice-Chairman Tramontozzi takes the chair.

Alderman Boisselle says the construction line-item increased by \$30,000 and asks if that is part of the valve repair. Mr. Scenna says yes; the hydrant behind Eastman Place is out of service and a valve on Tremont Street is out of service. These jobs require complete reconfiguration, not a simple replacement. It is also the year to flush the hydrants and there are several valves that are inoperable which affects water flow, quality and fire protection. Alderman Boisselle asks if a consultant will not be used this year. Mr. Scenna says money is set aside for a design consultant and in-house IT help in writing programs and support software. Alderman asks about the \$12,000 for leak detection. Mr. Beshara says a full system check has to be done every two years. Alderman Boisselle asks if the increase in supplies and materials from \$30,000 to \$50,000 is for new pipes. Mr. Scenna says that money is used for all maintenance supplies. Alderman Boisselle says the water meter line-item is doubling. Mr. Beshara says Melrose is 99% metered and this money will replace all of the old meters for more accurate readings. Alderman Boisselle asks how many he plans to replace. Mr. Scenna says there were 479 accounts with meter issues, and 801 accounts that needed registering or wiring. Sixty percent have been resolved but there is still 40% to go.

Alderman Forbes asks if the leak detection is done by the City or if it is contracted out to the MWRA. Mr. Beshara says it is contracted to a private contractor. Alderman Forbes asks percentage wise, how many hydrants have been replaced. Mr. Beshara says in the last four years 30% have been replaced but that 15-20 require replacement to bring everything up to standard of a 20-30 year lifespan.

Alderman Conn asks what impact it would have in the event that \$10,000 was cut from the pipe line-item. Mr. Beshara says it is hard to say. He'll have to hold back on the amount of work done in the fall and try to get through the winter. Alderman Conn asks if the inventory is completely depleted. Mr. Beshara says yes. Alderman Conn asks if to date \$15,000 has been spent on the water meter project. Mr. Beshara says yes. Alderman Conn asks how much he anticipates spending by year end. Mr. Beshara says that as of April 30, \$20,300 has been expended. Alderman Conn asks if the meters are being aggressively replaced all year. Mr. Beshara says yes, in order to eliminate estimated readings. Alderman Conn says he understands the philosophy behind replacing them but again this year it looks like the Board of Aldermen has to make some financial decisions. He asks if \$30,000 can be spent next year on meters. Mr. Beshara says yes. Alderman Conn asks if \$5,000 was cut if it would have a devastating impact. Mr. Beshara says no. Alderman Conn asks what the \$2500 in seminars provides. Mr. Beshara says it is for training for union employees to maintain licenses mandated by the state.

Alderman Buonopane says when a house is sold the meter is changed if it's old. He asks if there is any fee for that. Mr. Beshara says no, that the City owns the meter and it must be maintained by the City. Alderman Buonopane asks if any money is being allocated for the pipeline work being done now. Mr. Beshara says the water pipe service on Howard Street that needs replacing was not covered under the bond, and the City has to pay for it.

Alderman Conn motions to cut \$5,000 from the water meter replacement line-item, from \$30,000 to \$25,000, 2nd by Alderman Buonopane.

On discussion Alderman Wright says he will vote against the cut. It is well intended by Alderman Conn but these types of things have to be maintained. Often times an estimated bill is underestimated and the homeowner is hit with a very large bill to make up for the low estimate.

On the motion to amend, motion fails.

President Mortimer motions to move the bottom line of \$3,842,275.36, 2nd by Alderman Brodeur. One opposed (Conn) Motions carries.

Order No. 07-165, Sewer Enterprise operating budget for Fiscal Year 2008 in the amount of \$5,557,967.14

Mr. Beshara says only 11% of this budget is his operating budget.

Alderman Buonopane asks why the electric bill is going from \$30,000 to \$10,000. Mr. Beshara says the FY2007 original budget was \$10,000 but that bills were carried over from FY2006 that had to be paid.

Alderman Boisselle asks why construction is increasing to \$30,000. Mr. Scenna says DPW will conduct the I&I project again, which tends to find problems which have to be addressed right away. Alderman Boisselle asks if the project is efficient. Mr. Scenna says yes, that problems are detected prior to sewer backing up into homes. Alderman Boisselle asks about the sand line-item increasing by 50%. Mr. Scenna says DPW has made use of part of the compost site to stockpile material. Alderman Boisselle says it was a mild winter but there is a lot of damage to grass near the streets. He asks if more chemicals than sand are being used. Mr. Beshara says there was very little snow cover. When fighting ice with chemicals it gets on the grass. That wouldn't happen if there were snow banks.

Alderman Buonopane asks how much money in the gas line-item has been used to date. Mr. Beshara says that as of April 30, all of it has been expended. Alderman Buonopane asks why there is so much overtime. Mr. Beshara says there were a lot of sewer back-ups which typically happen at night. Alderman Buonopane asks if the overtime has anything to do with the ongoing projects. Mr. Scenna says no, that overtime related to a project is charged to the project. This covers overnight monitoring of flow isolation when no one is flushing toilets.

Mr. Beshara says in relation to the water budget water meter line-item, there is a 78 year old woman that twice received an estimated reading. Her water bill tripled. There was either a leak or her tenants kept the water running. The City is working with her and her son to try to help them understand what happened. Changing meters does affect residents.

Alderman Conn says two people have spoken referencing that a cut in the water meter line-item would be catastrophic.

Alderman Wright says water meters are the City's obligation.

Alderman Brodeur motions to move the bottom line of \$5,557,967.14, 2nd by Alderman Boisselle.

On discussion Alderman Buonopane says the rates will have to be raised and the budgets are already running a deficit. A \$5,000 cut isn't very much and he would hope that Mr. Beshara will do only what is necessary and put the remaining money toward covering debt.

On the motion to recommend, All in favor.

Alderman Brodeur motions to adjourn, 2nd by Alderman Seaboyer. All in favor.

Appropriations adjourns at 9:51 p.m.

Maribeth Harrington
Clerk of Committees