

Minutes

DAGSBORO TOWN COUNCIL

SPECIAL MEETING

Bethel Center – 28307 Clayton Street

Wednesday, August 29, 2018

I. CALL MEETING TO ORDER

6:01 p.m.

Meeting was called to order by Mayor Baull at 6:05 p.m.

In attendance were: Mayor Baull, Vice-Mayor Theresa Ulrich, Councilman William Chandler, Councilman Patrick Miller, and Town Administrator Cynthia Brought. Councilman Norwood Truitt was absent. See attached sign in sheet for other members of the audience.

II. PUBLIC COMMENT

No public comment was made.

III. NEW BUSINESS

A. Water Rate Study – Presentation by Jean Holloway of SERCAP

Jean Holloway was present to share her water rate study that she had been asked to complete. She stated that she is presenting the rates she has calculated and then the Council can direct her if they want to see something different.

Mrs. Holloway calculated the fixed costs of the town's water system, including repair and replacement costs (ongoing costs), contingency costs (emergency costs), and the required debt service costs. She then calculated the number of EDU's in the town. To get the different scenarios, she found out the minimum amount that has to be charged and then made adjustments. To recover the fixed costs, the town would need to charge \$27.58 a month, but that would mean charging \$6.20 per 1,000 gallons of usage to recover the variable costs. That would be a 55% increase over the current rate. Mrs. Holloway's conclusion is that the town is over recovering the fixed costs and under recovering the variable costs. The lower end users are paying too much and the higher end users are paying too little.

Mrs. Holloway presented the first rate scenario. It is a base amount of \$30.00 and then \$4.90 per 1,000 gallons of water used. This would save the 1,000 and 2,000 gallon a month users money and would increase a 3,000 gallon users bill by \$4.70 a month. With those same rates, if 3,000 gallons were included, the lower end users would save \$10.00 a month, but it would result in a \$51,000 deficit.

The second scenario keeps the rates the same (\$40.00 base amount plus \$4.00 for each 1,000 gallons), but eliminates the first 3,000 gallons being included. However, this would result in the lower end users paying more.

The third scenario splits the difference. It is a \$35.00 base charge and \$4.10 for each 1,000 gallons. This would save the 1,000 gallon users \$0.90 cents a month, the 2,000 gallon user would pay \$3.20 more a month and the 3,000 gallon user would pay \$7.30 more a month.

Mrs. Holloway explained the rates will decrease for the lower users because they would now be paying for their share. An elderly, single woman should not be paying the same rate as a family with two teenagers. Her conclusion is that the town needs to re-structure the rates to recover the costs and to make the rates more equitable. The 3,000 gallon allowance should be eliminated and every EDU should pay a fixed charge regardless of whether they use water or not.

Councilman Chandler asked if other scenarios can be made. Mrs. Holloway stated that now that she has the numbers, she can adjust the rates and run other scenarios. Councilman Chandler asked Mrs. Holloway if she lived in Dagsboro, which would she pick. She replied that she would pick scenario number 3 – the \$35.00 customer charge. She feels it has the smallest impact on the lower end users and is the most equitable. Councilman Chandler asked if that customer charge would cover the town's fixed costs. Mrs. Holloway stated it would.

Councilman Chandler asked the end date of the debt service. Town Administrator Brought replied that it is around 2036. Mrs. Holloway stated that the odds of having to incur more debt by that time are pretty high due to the system getting older.

Mrs. Holloway did ask Council to keep in mind that the numbers are all based on the usage of the past year. If there is a drought or if the rates increase, people may conserve water and not use as much. However, after some time, users usually see how small the difference is and start using their normal amounts again. These are just projections, but they are as accurate as she can make them.

Councilman Chandler pointed out the scenario that Mrs. Holloway picked, gives the town a surplus of \$1,800. Mrs. Holloway doesn't like to cut it any closer than that. Councilman Chandler felt that is close. Town Administrator Brought explained that it looks close, but that includes the costs of replacements that the town is currently paying out of pocket and not recouping. Vice-Mayor Ulrich stated that it doesn't seem like much, but it is a big difference from the \$17,000 deficit with the current rates. Councilman Chandler agreed.

Mrs. Holloway also informed Council that there is a current water loss of 21.7%, but it should be below 15%. She had spoken to Town Administrator Brought about this. There was a lot of water lost for flushing hydrants to get the chlorine levels higher.

Councilman Miller suggested if the rate is already \$40.00, it should stay the same. Mrs. Holloway explained that they aren't forgoing any money, it would just be changing where the money comes from. If they don't change the \$40.00, it would then be scenario number two, resulting in a \$24,000 surplus. Vice-Mayor Ulrich pointed out that means the lower end users are going from paying \$40.00 to \$52.00. She stated that the third scenario shows a person that uses 3,000 gallons will be going from paying \$40.00 a month to paying \$47.00 a month with the \$35.00 customer charge so they are paying more.

Mrs. Holloway reminded Council that she has built in a \$41,000 reserve to the rates. Vice-Mayor Ulrich stated she pays a water bill too and doesn't like it going up, but if they don't do something now, it will not be good in the long run. She doesn't feel they need a \$24,000 profit with the reserve money already built in. Mrs. Holloway stated that structuring the rates now will help avoid pitfalls in the future.

Councilman Chandler asked Mrs. Holloway if she could run scenario three again with a \$4.25 charge per 1,000 gallons. Mrs. Holloway stated she would.

IV. PUBLIC COMMENT

Bob Flowers, New Street resident, stated that he found out Millsboro has their residents buy and install their own water meters. Dagsboro pays for the meter and the installation of meters for residents. Town Administrator Brought pointed out the problem with that is then there will be a lot of people in the meter pits messing with the meters. Vice-Mayor Ulrich agreed that would not be good. Mrs. Holloway suggested if they elect to do that, to have an approved list of plumbers that can replace the meters. Town Administrator Brought replied that with Mrs. Holloway's scenarios, the town is recouping those costs for meter replacements.

Al Townsend, Main Street resident, spoke in reply. He feels he already bought the first meter and it is the town's responsibility to maintain and keep the equipment updated. He feels that is where the impact fees come into play. Mr. Townsend asked how it would impact the rates if the town had fifty new homes come in with the impact fees of \$3,000. Mrs. Holloway stated that wasn't what she was asked to do, but she could calculate the rates adding another 50 EDU's. She stated it might help lower the fixed customer charge, but that it wouldn't change the rate per 1,000 gallons. Mr. Townsend feels that if there were more homes, the impact fees could be used to pay down the debt and recover costs. The cost of living is going up and he is concerned that next the property taxes will need to increase and it will choke the people that currently live in town. He feels that having less than 500 EDU's in town is not very much to have to support the town – growth is needed.

Mrs. Holloway replied that impact fees, by law, have to be put in a designated fund to cover the impact of those EDU's on the system. Mr. Townsend stated the debt could be paid off with that. Mrs. Holloway also pointed out that the town is currently charging \$4.00 per 1,000 gallons now and that is what Millsboro is charging the town so there is no mark-up on the usage rates; the only "mark-up" is on the customer charge. Nobody can stay in business selling a product for only what they pay for the product.

Jim Thompson, of Shady Creek Lane, suggested \$15.00 per 1,000 gallons across the board and eliminate the fixed cost. Mrs. Holloway stated that the reason for the fixed customer charge is to cover the fixed costs that do not go down when usage goes down. She is concerned that a charge like that would have people conserving their water usage greatly, decreasing the revenue and resulting in the town being unable to pay the bills. Mrs. Holloway also stated that she does not recommend comparing the rates of other towns to set rates, but the highest rate in Delaware that she is aware of is \$12.86. She feels the town would have a mutiny if they went with a rate like \$15.00. That rate would also be a dis-incentive to any commercial businesses or developers to come into town.

There were no more public comments made. Mayor Baull thanked Mrs. Holloway for her work. Town Administrator Brought asked the council where they would like to go with this information next. Councilman Chandler recommended it be placed on the agenda for the September meeting and they can discuss it then and decide if they want to move forward with a public hearing. Mrs. Holloway stated she can present at a public meeting if the council would like.

IV. ADJOURNMENT

A motion to adjourn the meeting was made by Councilman Chandler and seconded by Vice-Mayor Ulrich. All in favor. Meeting was adjourned at 7:55 p.m.

Respectfully submitted by;
Megan Thorp, Town Clerk