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**INFORMAL MEETING OF JUNE 10, 2019**

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Informal Meeting of the City Council was held in the City Council Chamber, Room 219, City Hall, on Monday, June 10, 2019.

**CALL TO ORDER**

The meeting came to order at 6:15 o'clock p.m.

**ATTENDANCE**

Nine (9) Councillors were present including Councillors Nathan Boudreau, James Boone, Craig Cormier, Ronald Cormier (arrived at 6:25 p.m.), Edward Gravel, Karen Hardern, James Johnson, Elizabeth Kazinskas, and James Walsh. President Scott Joseph Graves and Councillor Christine Johnson were absent.

DPW Director Dane Arnold and City Engineer Chris Coughlin were present.

Mr. Arnold informed the Council that [repayment of] the loan order is dependent on the proposed increase in the water rates. He noted that the plan is to replace 22,000 feet of water mains at various locations throughout the City over a three-year period. He said that the first Phase encompasses the Downtown area, as well as Acadia Road and Clark Street area. The design work has been completed and the bid date is July 11. The estimated cost for Phase I is \$4.5M to \$6M, depending on the bids. If the bids are around \$5M, then he proposes to phase the projects around borrowing - \$6M in the first year, \$3M in the second year, and \$2M in the third year.

City Engineer Chris Coughlin added that Phase II may encompass Central Street, Green Street, and the Woodland Avenue area.

Mr. Arnold explained that there were two major water main breaks over the winter where water entered the sewer system and caused damage downstream. He noted that 30% of the City's streets are in bad shape, as well as 30% of the water mains. He added that he has compiled a list of water main replacements for the next 10 to 20 years.

Mr. Coughlin stated that Community Development has grants for new sidewalks, crosswalks, as well as new street lights, which are anticipated for construction in the fall.

Regarding the proposed increases in water rates, Mr. Arnold stated that in 2008, the City implemented a four-step rate increase over four years, which ended in 2012. The proposed rates are similar to the percentage increases from 2008 to 2012. Based on the projected revenues resulting from the proposed rate structure, the water enterprise system should be solvent for the next several years. He added that the sewer user rate is adequate for the next several years.

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Mr. Coughlin said that a city and town user rate schedule was provided to the Council to compare Gardner's rate and proposed user rates to other cities and towns in the area, as well as those with similar user characteristics.

Councillor James Walsh informed the Council that in November, 2018, the DPW Director provided the City Council with an update of all ongoing DPW Projects, including water main replacement projects. He said that the Director's correspondence indicated that between \$7M and \$12M in water main projects are planned, but that no increase in water rates was necessary. "So," he asked, "What changed since November, 2018, when no increases were necessary but now you are asking for what amounts to a 24% increase over three years?"

Mr. Arnold replied, saying that since then, after inspecting all of the facilities, Suez brought to his attention a number of items that should be on the City's capital plan, which were not considered at the time that his letter was written – replacement of the sand media filters at Crystal Lake (\$75,000) and Snake Pond well (\$25,000), which have to be replaced every seven years; Crystal Lake Treatment roof (\$150,000); and other capital items at Snake Pond, all amounting to over two million dollars.

Walsh asked whether there has been some analysis from which Mr. Arnold concluded that the proposed rate increase would cover the costs of the loan and water department operations, as well as the recently-identified capital items.

Mr. Arnold stated that the water rate increase is needed only to pay for the \$11M loan for water main replacements, and for replacing water meters (\$85,000±).

Mr. Coughlin added that contingencies were included in the rate model to cover the additional capital items.

Councillor Walsh suggested that Mr. Arnold's statements in his November, 2018 correspondence is accurate, that a rate increase is not necessary to address items other than the \$11M water replacement loan.

Mr. Arnold added that if the City decides to not implement the water main replacement projects, then the water user rate increase is unnecessary.

Councillor Gravel questioned the \$11M estimate.

Mr. Arnold said that he needs about \$40M to replace the water mains "that need it," but that he looked at the rates and adjusted them to be able to replace a sizeable portion of those mains. The projects listed on the handout "are hard estimates" from \$4M to \$6M.

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Mr. Coughlin noted that the Loan is intended to pay for as many miles of water mains, as possible.

Councillor James Boone stated that the Service Committee favored the increase; however, he questioned whether the Finance Committee or others considered implementing the rate increase “in a tiered fashion.”

Councillor James Walsh replied, saying the question was not considered at a Finance Committee meeting, although the City Council has the ability to reduce the amount of the Loan Order.

Councillor Nathan Boudreau questioned “the least amount to do this project.”

Mr. Arnold replied 4.5M to \$6M for Phase I.

Councillor Gravel suggested that perhaps the City implement only the Downtown water main project in order to reduce the Loan Order.

Councillor Ronald Cormier suggested that the Loan Order not be reduced to a point where the Downtown project could not be completed at one time. He added that it may be cost effective to bid all of the projects at the same time and not in phases.

Mr. Arnold stated that it is his intent to draw on the Loan over three years – \$6M, \$3M, and \$2M.

Councillor James Johnson stated that he supports the projects and the \$11M Order and questioned the available balance in the water enterprise surplus account.

Mr. Arnold replied, saying that in February, the water surplus had a balance of approximately \$1M.

Commenting on the City’s infrastructure, Councillor Karen Hardern suggested that the Council “be proactive” and “not reactive.”

Councillor Elizabeth Kazinskas cited recent water main breaks in the Downtown as a reason why she supports the \$11M Loan Order.

Councillor Craig Cormier added, “We are already being reactive in addressing these [water main] problems.”

Councillor James Walsh stated that what he is hearing is that the Council supports the \$11M Order, even though the particulars of projects beyond Phase I are not known. He added that perhaps the Council would consider authorizing the Loan for \$6½M to \$7M.

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Councillor Ronald Cormier added that there is nothing preventing the Council from returning at a later time to consider authorizing the balance of the [original] Loan.

Councillor Elizabeth Kazinskas questioned whether a reduced Loan Order would delay the project.

Mr. Arnold responded, saying that the smaller authorization of \$7M would allow the City to implement Phase I, Downtown up Central to Maple Street, as well as Clark Street and Acadia Road.

On questioning, Mr. Arnold informed the Council that the rate increase is necessary to complete the water main replacements. The proposed rate increases may be adjusted [downward] if the Council authorizes less than \$11M.

Mr. Coughlin added that if the water user rates are not increased to cover the next phases, then it will take a number of years to build-up the surplus to pay for other water main projects, so either increase the rates now or wait a number of years to be able to address more water main replacement projects.

The meeting concluded at 6:45 p.m.

Accepted by the City Council: *August 5, 2019*