

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



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TO: Town Council
FROM: Angus Jennings, Town Manager
DATE: February 13, 2016
RE: Materials submitted for Sewer Rates Public Hearing of February 16

Context for Rate Setting

In evaluating the appropriateness of the sewer rate structure, it is instructive to consult the enabling statute, a copy of which is attached:

“these rates, fees and charges... shall be fixed and revised to provide funds which, together with all other funds available for the purpose, will be sufficient at all times to pay the cost of maintaining, repairing and operating the revenue-producing municipal facility... including reserves for those purposes, and to pay the principal and interest on the revenue bonds, as the same becomes due and payable, and reserves for that purpose. The rates, fees and charges must be reasonable, just and equitable.” (30-A M.R.S.A. 30-A § 5405.1.)

The sewer rate structure must be established at a level that allows the Town to meet these statutory standards. The sewer must be operated and maintained to comply with the Hampden Sewer Ordinance ([online](#)), and the 1996 Interlocal Agreement with the City of Bangor.

In the context of the Hampden Sewer Fund’s present financial standing, I have previously recommended that the Town Council adopt a rate structure that:

- 1) Ensures that revenues cover operating and capital costs on an ongoing basis;
- 2) Generates enough revenue over and above Item 1 to enable the Sewer Fund to repay the Interfund Transfers from the General Fund over an established period of time; and
- 3) Re-establishes reserve accounts to support future system investments, including capital improvements, periodic maintenance, and emergency repairs.

Present Financial Summary

At year-end FY15, the Audit reports that the Sewer Fund was obligated for \$541,666 Due to Other Funds, with \$393,516 in Accounts Payable (including the amounts presently past due).

In addition to the \$393,516 due at year-end FY15,¹ \$200,000 in two invoices from the Bangor WWTP are significantly past due. This takes into account the FY16 payments year to date of

¹ FY15 Audit Exhibit E, Accounts Payable.

\$167,243 (covering two invoices from October and November 2014 for dates of service back to January 2014). The following summarizes activity relative to Hampden’s agreements with Bangor FY16 year to date:

<u>Sewer Invoices</u> <u>from City of Bangor</u>	<u>Period of Service</u>	<u>Total Amount</u> <u>Due</u>	<u>Date Due</u>	<u>Date Paid</u>	<u>Amounts Past</u> <u>Due</u>
10/31/14	Jan. to June 2014	\$ 94,534.94	11/30/14	12/2/15	\$ -
11/18/14	July to Oct. 2014	\$ 72,707.72	12/18/14	12/16/15	\$ -
3/6/15	Nov. 14 to Feb. 15	\$126,695.57	4/5/15	n/a	\$ 126,695.57
10/27/15	March to June 2015	\$ 73,304.43	11/26/15	n/a	\$ 73,304.43
					<u>\$ 200,000.00</u>

FY16 paid, year to date \$ 167,242.66

The amounts above are entirely comprised of service and maintenance costs due to the City of Bangor for FY15. We have not yet received an invoice from the City of Bangor for any costs for service charges or pump station maintenance in FY16.

For budgeting purposes, I am estimating a year-end amount of \$780,000 Due to Other Funds.

Sewer Revenue Needs

The Sewer Fund must support capital and operating costs. In FY17, the Sewer Fund will be responsible for \$381,465 in debt service payments on four outstanding bonds.

Based on recent years’ costs, and providing for \$100,000 toward the Interfund Transfer balance, the operating cost budget for FY17 would be \$558,535. Combined with debt service, this would be an annual budget of \$940,000.

If inputs to the FY17 expense budget are varied – if, for instance, more or less than \$100,000 is generated toward the General Fund, and/or other expense line items – it would affect rates accordingly. Expense budget line items are presently being evaluated. The Public Works Director will attend the public hearing on Tuesday and will be prepared to provide his opinion regarding sewer system operations and maintenance, including cost trends and projections as known.

There are several alternative rate structure scenarios for Service Charge and Capital Charge rates that generate adequate revenues to support a \$940,000 budget in FY17. At the public hearing, a dynamic rate sensitivity worksheet will be presented which will allow the Council to vary each of several variables, with public transparency regarding the impact of any such variations:²

- 1) Service charge
- 2) Capital charge
- 3) Tier for capital charge multiplier
- 4) Budgeted expenses (FY17 Sewer Expense Budget Discussion Draft, Attachment)

² For discussion of rate structure, incl. service and capital charges, refer to January 12, 2016 Town Manager memo to Infrastructure Committee, included in public hearing materials.

This worksheet will evaluate the impacts of various rate scenarios on both the bottom line budget and on typical sewer customers (by usage and expense). Based on the Council’s goals (for timing of repayment, reserves etc.), a fee structure can be adopted at the public hearing.

The form of an amended rate structure will be a modification to Section 9.2 of the Fees Ordinance, a copy of which is included as an attachment to this memo.

Sewer Rate Structure Scenarios to Support FY17 Budget of \$940,000

To support the Council’s consideration, I have evaluated five alternative rate structures each of which would be projected to generate revenues to support an FY17 sewer budget of \$940,000.

All but one of these scenarios would establish a billing structure whereby service charges cover sewer operating costs and capital charges cover debt service payments. With this approach, a service charge increase from \$4.28 to \$5.77 would be needed in order to cover operating costs of \$381,465.

The capital charge, as set out in the current Fees Ordinance, applies once to customers using 3,000 CF of water or less per quarter; applies twice to customers using more than 3,000 CF but less than 5,999 CF; applies three times to customers using 6,000 to 8,999 CF and so on.

If the 3,000 CF threshold is reduced, it brings more customers into the 2x and 3x multiplier. This has significant impacts on the allocation of system costs across customers by usage (and bill amount). I also evaluated a scenario where the capital charge is reduced to zero, with all system costs incorporated into the service charge.

The inputs to the five scenarios are summarized as follows:

Rates needed at different Capital Thresholds				
<u>Tier for Capital Charge Multiplier</u>	<u>Service Charge</u>	<u>Capital Charge</u>		<u>Budgeted Surplus</u>
30	\$ 5.77	\$ 56.00	\$	3,912
20	\$ 5.77	\$ 48.50	\$	3,974
15	\$ 5.77	\$ 42.00	\$	3,940
10	\$ 5.77	\$ 34.60	\$	3,888
0	\$ 9.75	-	\$	3,845

The scenario analyses A through E are attached. Each includes an estimate of how that rate structure would allocate costs across the customer base. The flat rate service charges at Sec. 2.9.1.1 and 2.9.1.2, and the service charges in Sec. 2.9.3 and Sec. 2.9.4 will be established based on what makes sense within the overall amended rate structure.

At the public hearing, and on the basis of the Council’s policy direction on some of the items discussed above, I will be prepared to offer recommendations regarding how the Hampden Sewer Rate Structure that, in my opinion, best achieves the statutory requirement that “The rates, fees and charges must be reasonable, just and equitable.”

Scenario A: Usage Charge at \$5.77; Capital Charge at \$56.00 (tiered at 3000 CF)

Data Inputs		Current	Test	% change
Rate per 100 CF	\$	4.28	\$ 5.77	35%
Capital charge	\$	18.12	\$ 56.00	209%
Threshold for capital charge (00s CF)		30	30	

Estimated Revenue Generation (based on discussion draft FY17 expense budget, Attachment:

Working Draft FY17 Sewer Budget

Capital	\$	381,465	Draft subject to Council review
Operating	\$	558,535	Draft subject to Council review
Total	\$	940,000	

Estimated FY17 Sewer Budget

	<u>Recommended</u>	<u>Available</u>	<u>Surplus (Deficit)</u>
Capital	\$ 381,465	\$ 384,776	\$3,311
Operating	\$ 558,535	\$ 559,136	\$601
Total	\$ 940,000	\$ 943,912	\$3,912

Estimated Effect on Customers by Usage:

Effect on Customers by Usage	<u>Current Cost</u>	<u>New Cost</u>	<u>Increase</u>	<u>Percent Increase</u>	<u>Monthly Cost</u>
25th percentile Customer	\$ 200.88	\$ 397.10	\$ 196.22	98%	\$ 33.09
Median Usage Customer	\$ 282.20	\$ 506.73	\$ 224.53	80%	\$ 42.23
75th percentile Customer	\$ 384.92	\$ 645.21	\$ 260.29	68%	\$ 53.77

Estimated Allocation of Customers and Revenues by Capital Charge Tier:

Customers with Tiered Capital Charges

Scenario A	Capital charge tier: 30			
	<u>Mult. 1</u>	<u>Mult. 2</u>	<u>Mult. 3</u>	<u>Mult. >3</u>
Number of Customers	1,376	86	14	32
Percent Customers	91.3%	5.7%	0.9%	2.1%
Capital Charge Revs: \$	308,224	\$ 38,304	\$ 9,576	\$ 28,672
Percent Revenues	80.1%	10.0%	2.5%	7.5%

Scenario B: Usage Charge at \$5.77; Capital Charge at \$48.45 (tiered at 2000 CF)

Data Inputs		Current		Test	% change
Rate per 100 CF	\$	4.28	\$	5.77	35%
Capital charge	\$	18.12	\$	48.45	167%
Threshold for capital charge (00s CF)		30		20	

Estimated Revenue Generation:

Estimated FY17 Sewer Budget				
	<u>Recommended</u>	<u>Available</u>	<u>Surplus (Deficit)</u>	
Capital	\$ 381,465	\$ 384,838	\$3,373	
Operating	\$ 558,535	\$ 559,136	\$601	
Total	\$ 940,000	\$ 943,974	\$3,974	

Estimated Effect on Customers by Usage:

Effect on Customers by Usage						
	<u>Current Cost</u>	<u>New Cost</u>		<u>Increase</u>	<u>Percent Increase</u>	<u>Monthly Cost</u>
25th percentile Customer	\$ 200.88	\$ 366.90	\$	166.02	83%	\$ 30.58
Median Usage Customer	\$ 282.20	\$ 476.53	\$	194.33	69%	\$ 39.71
75th percentile Customer	\$ 384.92	\$ 711.91	\$	326.99	85%	\$ 59.33

Estimated Allocation of Customers and Revenues by Capital Charge Tier:

Customers with Tiered Capital Charges				
Scenario B	<i>Capital charge tier:</i>			
	<u>Mult. 1</u>	<u>Mult. 2</u>	<u>Mult. 3</u>	<u>Mult. >3</u>
Number of Customers	1,157	274	30	47
Percent Customers	76.7%	18.2%	2.0%	3.1%
Capital Charge Revs: \$	224,227	\$ 106,299	\$ 17,587	\$ 36,725
Percent Revenues	58.3%	27.6%	4.6%	9.5%

Scenario C: Usage Charge at \$5.77; Capital Charge at \$42.00 (tiered at 1500 CF)

Data Inputs		Current		Test	% change
Rate per 100 CF	\$	4.28	\$	5.77	35%
Capital charge	\$	18.12	\$	42.00	132%
Threshold for capital charge (00s CF)		30		15	

Projected Revenue Generation:

Estimated FY17 Sewer Budget				
	<u>Recommended</u>	<u>Available</u>	<u>Surplus (Deficit)</u>	
Capital	\$ 381,465	\$ 384,804	\$3,339	
Operating	\$ 558,535	\$ 559,136	\$601	
Total	\$ 940,000	\$ 943,940	\$3,940	

Projected Effect on Customers by Usage:

Effect on Customers by Usage						
	<u>Current Cost</u>	<u>New Cost</u>		<u>Increase</u>	<u>Percent Increase</u>	<u>Monthly Cost</u>
25th percentile Customer	\$ 200.88	\$ 341.10	\$	140.22	70%	\$ 28.43
Median Usage Customer	\$ 282.20	\$ 450.73	\$	168.53	60%	\$ 37.56
75th percentile Customer	\$ 384.92	\$ 715.21	\$	330.29	86%	\$ 59.60

Estimated Allocation of Customers and Revenues by Capital Charge Tier:

Customers with Tiered Capital Charges				
Scenario C	<i>Capital charge tier:</i>			
	<u>Mult. 1</u>	<u>Mult. 2</u>	<u>Mult. 3</u>	<u>Mult. >3</u>
Number of Customers	912	464	67	63
Percent Customers	60.6%	30.8%	4.4%	4.2%
Capital Charge Revs: \$	153,216	\$ 155,904	\$ 33,516	\$ 42,168
Percent Revenues	39.8%	40.5%	8.7%	11.0%

Scenario D: Usage Charge at \$5.77; Capital Charge at \$34.60 (tiered at 1000 CF)

Data Inputs		Current		Test	% change
Rate per 100 CF	\$	4.28	\$	5.77	35%
Capital charge	\$	18.12	\$	34.60	91%
Threshold for capital charge (00s CF)		30		10	

Estimated Revenue Generation:

Estimated FY17 Sewer Budget				
	<u>Recommended</u>	<u>Available</u>	<u>Surplus (Deficit)</u>	
Capital	\$ 381,465	\$ 384,752	\$3,287	
Operating	\$ 558,535	\$ 559,136	\$601	
Total	\$ 940,000	\$ 943,888	\$3,888	

Estimated Effect on Customers by Usage:

Effect on Customers by Usage						
	<u>Current Cost</u>	<u>New Cost</u>		<u>Increase</u>	<u>Percent Increase</u>	<u>Monthly Cost</u>
25th percentile Customer	\$ 200.88	\$ 311.50	\$	110.62	55%	\$ 25.96
Median Usage Customer	\$ 282.20	\$ 559.53	\$	277.33	98%	\$ 46.63
75th percentile Customer	\$ 384.92	\$ 767.21	\$	382.29	99%	\$ 63.93

Estimated Allocation of Customers and Revenues by Capital Charge Tier:

Customers with Tiered Capital Charges				
Scenario D	<i>Capital charge tier:</i>			
	<u>Mult. 1</u>	<u>Mult. 2</u>	<u>Mult. 3</u>	<u>Mult. >3</u>
Number of Customers	561	596	219	93
Percent Customers	38.2%	40.6%	14.9%	6.3%
Capital Charge Revs: \$	77,642	\$ 164,973	\$ 90,929	\$ 51,208
Percent Revenues	20.2%	42.9%	23.6%	13.3%

Scenario E: Usage Charge at \$9.74; No Capital Charge

Data Inputs		Current		Test	% change
Rate per 100 CF	\$	4.28	\$	9.74	128%
Capital charge	\$	18.12	\$	-	-100%

Estimated Revenue Generation:

Estimated FY17 Sewer Budget				
	<u>Recommended</u>	<u>Available</u>	<u>Surplus (Deficit)</u>	
Capital	\$ 381,465	\$ -	(\$381,465)	
Operating	\$ 558,535	\$ 943,845	\$385,310	
Total	\$ 940,000	\$ 943,845	\$3,845	

Estimated Effect on Customers by Usage:

Effect on Customers by Usage						
	<u>Current Cost</u>	<u>New Cost</u>		<u>Increase</u>	<u>Percent Increase</u>	<u>Monthly Cost</u>
25th percentile Customer	\$ 200.88	\$ 292.20	\$	91.32	45%	\$ 24.35
Median Usage Customer	\$ 282.20	\$ 477.26	\$	195.06	69%	\$ 39.77
75th percentile Customer	\$ 384.92	\$ 711.02	\$	326.10	85%	\$ 59.25

Estimated Allocation of Customers and Revenues by Capital Charge Tier:

Not applicable – no capital charge.

Attachment A: FY17 Expense Budget, Sewer Fund, Discussion Draft as of 2/13/16

FY17 Expense Budget, Sewer Fund		
Discussion Draft	as of 2/13/16	
Expense Category	FY17 Estimate	Notes
60-10-01 Compensation	\$60,000.00	No increase from prior 6 years TM budgets.
60-10-10 Supplies, postage, shipping	\$18,400.00	
60-10-15 Electricity, fuel	\$ 42,000.00	
60-10-20 Maintenance/repairs	\$12,000.00	<i>Placeholder amount; DPW to make recommendation.</i>
60-10-30 Liens/transfers	\$ 4,000.00	
60-10-60-02 Treatment charges (Bangor)	\$262,493.53	Budgeted 5% increase for FY17 (from FY15 operations)
60-10-60-04 Pump station maint. (Bangor)	\$ 42,558.57	Budgeted 3% increase for FY17 (from FY15 operations)
60-10-60 Projects, Flusher Repairs	\$ 10,500.00	<i>Placeholder amount; DPW to make recommendation.</i>
Reimburse Interfund Transfer from General Fund	\$ 100,000.00	FY15 year-end amt due \$542k; FY16 est. \$780k.
Sewer Reserve Account	\$ 5,000.00	<i>Placeholder amount; DPW to make recommendation.</i>
Sub-Total Operations	\$556,952.10	
Bond payments	\$ 381,466.00	FY17 committed
Sub-Total Capital	\$ 381,466.00	
Total	\$ 938,418.10	
FY17 Expense Budget, Discussion Draft	\$ 940,000.00	

Attachment B: Fees Ordinance Section 2.9

2.9. Sewer Ordinance

2.9.1. Sewer Service Charge Rate <i>(Amended 8/3/09)</i>	\$4.28 per 100 cubic feet of water (c.f.w.) consumed as indicated by consumer's water meter.
2.9.1.1. Sewer Charge Flat Rate Town Water No Meter	\$64.24
2.9.1.2. Sewer Charge Flat Rate Well Water No Meter	\$105.44
2.9.2. Sewer Service Capital Charge	
2.9.2.1. Base Rate for 1 to 2,999 c.f.w. consumed	\$18.12
2.9.2.2. 3,000 to 5,999 c.f.w. consumed (double base)	\$36.24
2.9.2.3. 6,000 to 8,999 c.f.w. consumed (triple base)	\$54.36
2.9.2.4. Other c.f.w. amount	Divide cubic feet of water consumed by 3,000 and round up to nearest whole number then multiply by \$18.12
2.9.3. Sewer Service Minimum Charge Rate	\$18.12
2.9.4. Sewer Service "Ready to Serve" Charge	\$18.12
2.9.5. Special Sewer Service Charge	As determined by Town Council.
2.9.6. Sewer Service Charge Rate Outside Town Limits	As determined by Town Council

Attachment C: Bangor Sewer Rates, FY88 to FY15

SEWER RATES		RATE OF INCREASE	
FY	\$/HCF	Per Document File	Per Calculation
1988	\$1.09		
1989	\$1.32		21.10%
1990	\$1.60		21.21%
1991	\$1.93		20.63%
1992	\$2.33		20.73%
1993	\$2.82		21.03%
1994	\$3.37		19.50%
1995	\$3.75		11.28%
1996	\$4.09		9.07%
1997	\$4.14	1.75%	1.22%
1998	\$4.14		0.00%
1999	\$4.14		0.00%
2000	\$4.14		0.00%
2001	\$4.14		0.00%
2002	\$4.14		0.00%
2003	\$4.14		0.00%
2004	\$4.14		0.00%
2005	\$4.14		0.00%
2006	\$4.45	7.50%	7.49%
2007	\$4.45		0.00%
2008	\$4.72	6.00%	6.07%
2009	\$5.00	6.00%	5.93%
2010	no incr.		0.00%
2011	\$5.25	5.00%	5.00%
7/1/2012	\$5.70	8.60%	8.60%
7/1/13	5.90	70.80	
7/1/14	\$6.10	73.20	

Attachment D: Overdue Invoices from Bangor as of February 13, 2016

INVOICE: 8000000039 PAGE 1
 DATE: Oct 27, 2015 OF 1

SERVICE: WASTE WATER TREATMENT
 CUSTOMER PO:
 CUSTOMER PH:
 TERMS: 30 DAYS

DUE DATE: Nov 26, 2015

CUSTOMER NO: 0000159706

SERVICE ADDRESS:

HAMPDEN, TOWN OF
 ATTN.; FINANCE DEPARTMENT
 106 WESTERN AVE.
 HAMPDEN, ME 04444

HAMPDEN, TOWN OF
 ATTN.; FINANCE DEPARTMENT
 106 WESTERN AVE.
 HAMPDEN, MAINE, 04444

-----DESCRIPTION-----	QTY	UNIT PRICE	-TOTAL PRICE-	TAX
STATION & SCADA - MARCH 2015	1.00	3,443.270	3,443.27N	
TREATMENT OF WASTEWATER -MAR 2015	1.00	17,288.380	17,288.38N	
STATION & SCADA - APRIL 2015	1.00	3,443.270	3,443.27N	
TREATMENT OF WASTEWATER -APR 2015	1.00	18,688.940	18,688.94N	
PUMP STATION & SCADA - MAY 2015	1.00	3,443.270	3,443.27N	
TREATMENT OF WASTEWATER- MAY 2015	1.00	11,176.560	11,176.56N	
PUMP STATION & SCADA-JUNE 2015	1.00	3,443.270	3,443.27N	
TREATMENT OF WASTEWATER-JUNE 2015	1.00	36,055.610	36,055.61N	
REIMBURSEMENT FOR PARTS	1.00	331.240	331.24N	
WORK PERFORMED ABOVE CONTRACT	1.00	1,289.260	1,289.26N	
CREDIT FOR OVERCHARGE ON JUNE 2015 INVOICE			-18,134.87	
AMOUNT FORGIVEN			- 7,163.77	

TOTAL CHARGES: 98,603.07
 TOTAL TAX: 0.00

 TOTAL INVOICE: 98,603.07
 PAYMENTS: 0.00
 ADJUSTMENTS: -25,298.64
 TOTAL DUE: 73,304.43



INVOICE: 8000000031 PAGE 1
 DATE: Mar 06, 2015 OF 1

SERVICE: WASTE WATER TREATMENT
 CUSTOMER PO:
 CUSTOMER PH:
 TERMS: 30 DAYS

DUE DATE: Apr 05, 2015

CUSTOMER NO: 0000159706

HAMPDEN, TOWN OF
 ATTN.; FINANCE DEPARTMENT
 106 WESTERN AVE.
 HAMPDEN, ME 04444

SERVICE ADDRESS:

HAMPDEN, TOWN OF
 ATTN.; FINANCE DEPARTMENT
 106 WESTERN AVE.
 HAMPDEN, MAINE, 04444

-----DESCRIPTION-----	QTY	UNIT PRICE	-TOTAL PRICE-	TAX
STATION & SCADA-NOV 2014	1.00	3,340.730	3,340.73N	✓
TREATMENT OF WASTEWATER- NOV 2014	1.00	26,330.820	26,330.82N	✓
STATION & SCADA- DEC 2014	1.00	3,340.730	3,340.73N	✓
TREATMENT OF WASTEWATER-DEC 2014	1.00	18,269.360	18,269.36N	✓
STATION & SCADA-JAN 2015	1.00	3,340.730	3,340.73N	✓
TREATMENT OF WASTEWATER-JAN 2015	1.00	31,719.400	31,719.40N	✓
STATION & SCADA CONTRACT-FEB 2015	1.00	3,443.230	3,443.23N	✓
TREATMENT OF WASTEWATER -FEB 2015	1.00	32,097.610	32,097.61N	✓
REIMBURSEMENT FOR PARTS	1.00	1,159.340	1,159.34N	✓
REIMBURSEMENTS-WORK ABOVE CONTRAC	1.00	3,653.620	3,653.62N	✓

FOR QUESTIONS CONCERNING THIS INVOICE,
 PLEASE CONTACT THE WASTE WATER
 TREATMENT PLANT AT (207) 992-4470.

TOTAL CHARGES: 126,695.57
 TOTAL TAX: 0.00

 TOTAL INVOICE: 126,695.57
 PAYMENTS: 0.00
 ADJUSTMENTS: 0.00
 TOTAL DUE: 126,695.57

Attachment E: Hampden Sewer Ordinance, Article 10

ARTICLE 10 SEWER SERVICE CHARGE

Section 10.1. Establishment of a Sewer Service Charge: The source of a portion of the revenue for retiring debt services and for capital expenditures, operation and maintenance of the public sewage works shall be a sewer service charge. That portion of the sewer service charge related to capital expenditures and retirement of debt service shall be made against all properties within the public sewage works service area having or required to have sanitary facilities, whether actually connected to the public sewer system or not. The public sewage works service area and the nature of buildings required to have sanitary facilities shall be as defined in Section 2.4 thereof. In the case of a building not connected to the public system, such charge shall be deemed a “ready to serve” charge levied to aid in defraying expense incurred in making service available to the property. In the case of a connected building not in active use or occupancy and having no discharge during a given billing period, the portion related to capital expenditures and retirement of debt service shall be regarded as minimum charge. In the case of a connected building actively discharging to the public system for all or part of any given billing period, the charge shall be increased to include the cost of operation and maintenance of the public sewage works.

Section 10.2. Sewer Service Charge Rate: Sewer service charge rates shall be determined by the Town Council on a year-to-year basis and, in general, such charges will be determined on a rate structure based on water consumption. The sewer service charge will be computed and billed at regular intervals throughout each calendar year, as established by the Town Council in accordance with the Town of Hampden Fees Ordinance.

Users shall be given annual notification of the rates and distribution of costs between capital expenditures and operation and maintenance charges. Any revenue from Sewer Service Charges in excess of cost must be retained in the sewerage account and cannot be used to defray costs in other functions of the Town.

Section 10.3. Special Charge for Industrial Organizations: A Special Sewer Service Charge shall be assigned to any industrial firm or organization, the strength or other characteristic of whose waste varies significantly from that of normal domestic sewage. In general, such charges will be based on equitable prorating of costs for conveying and treating such waste, taking into account, but not necessarily limited to, the effect of volume, BOD, suspended solids, settleable solids, chlorine demand, toxicity, and pH. Pretreatment by the industry may also be a requirement if necessary to make the waste compatible with flow

in the sewer system. The Town Council, after appropriate study, and advice from the Town Manager, shall assign a Special Sewer Charge to the industrial firm by separate agreement with said firm. The applicable portions of the preceding sections, as well as the equitable rights of the public, shall be the basis for such an arrangement.

10.3.1. Additional Special Charge: In addition to the Special Sewer Service Charge, which is concerned solely with the cost to the Town for debt service, capital expenditures, operation and maintenance of the public sewage works, there shall be a special charge to nongovernmental users of the public sewage works in accordance with the Town of Hampden Fees Ordinance identified in the Standard Industrial Classification Manual, 1972, prepared by the Federal Government Office of Management and Budget, as amended and supplemented, under the following divisions:

Division A - Division B - Division D - Division E - Division I -

Agriculture, Forestry and Fishing Mining Manufacturing Transportation,
Communications, Electric, Gas and Sanitary Services Services

Section 10.4. Reserved Right to Charge Sewer Service Charge: The Town Council reserves the right from time-to-time to change Sewer Service Charges originally or previously assigned to any property owner.

Section 10.5. Charge for Property Owners Outside Town Limits: All property owners outside the Town limits who, by their own request, are served by sanitary sewers must pay a sewer service charge in accordance with the Town of Hampden Fees Ordinance.

Attachment F: 30-A M.R.S.A. 30-A § 5405

Maine Revised Statutes

Title 30-A: MUNICIPALITIES AND COUNTIES HEADING: PL 1987, C. 737, PT. A, §2 (NEW)

Part 2: MUNICIPALITIES HEADING: PL 1987, C. 737, PT. A, §2 (NEW)

Subpart 8: DEVELOPMENT HEADING: PL 1987, C. 737, PT. A, §2 (NEW)

Chapter 213: REVENUE PRODUCING MUNICIPAL FACILITIES ACT HEADING: PL 1987, C. 737, PT. A, §2 (NEW)

§5405. Revenues

1. **General.** The municipal officers shall fix the schedule of rates, fees and other charges for the use of, and for the services furnished or to be furnished by any revenue-producing municipal facility. The municipal officers may revise this schedule of rates, fees and charges from time to time. These rates, fees and charges, except rates, fees and charges for water system purposes, are not subject to supervision or regulation by any other commission, board, bureau or agency of the municipality or of the State. The municipality shall charge and collect the rates, fees and charges so fixed or revised. Except as otherwise provided, these rates, fees and charges, including, in the case of parking facility rates, fees and charges for parking on the public ways or in the public parking areas included in the parking system designated by the municipal officers of which the parking facility is a part, shall be fixed and revised to provide funds which, together with all other funds available for the purpose, will be sufficient at all times to pay the cost of maintaining, repairing and operating the revenue-producing municipal facility and parking system, including reserves for those purposes, and to pay the principal of and interest on the revenue bonds, as the same becomes due and payable, and reserves for that purpose. The rates, fees and charges must be reasonable, just and equitable.

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

2. **Water and sewer system rates.** The following provisions govern water and sewer system rates.

A. In the case of a water system or a sewer system, rates, fees and charges may be based or computed upon:

- (1) The quantity of water used;
- (2) The number and size of water or sewer connections;
- (3) The number and kind of plumbing fixtures in use in the premises connected to the system;
- (4) The number or average number of persons residing in or working in or otherwise connected with the premises;
- (5) The type or character of the premises;
- (6) Any other factor affecting the use of the facilities furnished; or
- (7) Any combination of these factors. [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD).]

B. In cases where the character of the sewage from any industrial or manufacturing plant, building or premises is such that it imposes an unreasonable burden upon the sewer system, the municipal officers may:

- (1) Impose an additional charge for that sewage; or
- (2) Require the industrial or manufacturing plant, building or premises to treat the sewage in a manner specified by the municipal officers before discharging the sewage into the sewers owned or maintained by the municipality. [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD).]

C. If it is determined to compute sewer charges on the basis of the quantity of water used, any water district or water company subject to supervision or regulation by the Public Utilities Commission shall provide the municipality with any information or data that the municipality requests for those purposes. The water district or water company is not liable to any person for releasing to the municipality any information or data that the municipality requests.

- (1) Any charges for sewer services, including sewer services to manufacturing and industrial plants obtaining all or a part of their water supply from sources other than the municipal water system, may be determined by gauging or metering or in any other manner approved by the municipal officers. [1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD).]

D. There is a lien on real estate served or benefitted by a water system, sewer system or water and sewer system to secure the payment of rates, fees or charges established under this chapter. This lien arises and is perfected as services are provided and takes precedence over all other claims on the real estate, excepting only claims for taxes. The treasurer of the municipality may collect these rates, fees and charges in the same manner

as provided in Title 38, section 1208 for treasurers of sanitary sewer districts with respect to rates established and due under Title 38, section 1202. [2015, c. 174, §2 (AMD) .]

[2015, c. 174, §2 (AMD) .]

3. Parking system rates. In the case of a parking facility and a public way or parking area, whether or not included within the parking system designated by the municipal officers, the rates, fees or charges fixed or revised by the municipal officers need not be uniform throughout the system or in all parts of the municipality, but shall take into account the primary purpose of relieving traffic congestion and encouraging free circulation throughout the municipality. In fixing or revising reasonable, just and equitable rates, fees and charges under subsection 1 or under section 3009, subsection 1, paragraph C, when adequate parking facilities for the accommodation of traffic have been provided and paid for, the rates, fees and charges shall be adjusted to provide funds for maintenance and operation only.

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

4. Airport rates. In the case of an airport or part of an airport, the rates, fees and charges may be based or computed upon square footage, gross receipts, landings or other basis which is reasonably related to the use of or service furnished by the revenue-producing facility.

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

5. Telecommunication system rates. In the case of a telecommunications system or part of such a system, the rates, fees and charges must be adequate, just, reasonable, nondiscriminatory and uniform throughout the corporate limits of the municipality. They shall be based upon the extent and quality of service, number of channels, hours of operation, variety of programs, local coverage, safety measures, installation costs and other basis which are reasonably related to the use of or service furnished by the telecommunications system revenue-producing facility.

[1987, c. 737, Pt. A, §2 (NEW); 1987, c. 737, Pt. C, §106 (NEW); 1989, c. 6, (AMD); 1989, c. 9, §2 (AMD); 1989, c. 104, Pt. C, §§8, 10 (AMD) .]

SECTION HISTORY

1987, c. 737, §§A2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD). 1989, c. 104, §§C8,10 (AMD). 2015, c. 174, §2 (AMD) .

The Revisor's Office cannot provide legal advice or interpretation of Maine law to the public.

If you need legal advice, please consult a qualified attorney.

Office of the Revisor of Statutes (mailto:webmaster_ros@legislature.maine.gov) • 7 State House Station • State House Room 108 • Augusta, Maine 04333-0007

Attachment G: Town Manager Responses to Questions Received for Sewer Rate Public Hearing

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



Phone: (207) 862-3034
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townmanager@hampdenmaine.gov

TO: Town Council
FROM: Angus Jennings, Town Manager
DATE: February 13, 2016
RE: Town Manager Responses to Questions Received for Sewer Rate Public Hearing

Each of the following questions was submitted to my office. The questions and my responses are placed on the public record for the February 16 public hearing on sewer rates in the Fees Ordinance.

1. *Why is there a shortfall?*

Sewer rates have not been adequate to cover operating and capital costs for several years. See Town Manager memo to Finance Committee dated December 7, 2015.

2. *Did Hampden sewer users have their rates increased to coincide with each time Bangor required an increase? If not, Why not?*

No. The history of Bangor sewer rates since FY88 is an attachment to my February 13 memo to the Town Council. The Sewer Ordinance Section 10.2 states that "sewer service charge rates shall be determined by the Town Council on a year-to-year basis." Sewer customers can expect that the Council will review sewer rates on an annual basis in order to keep pace with changes in costs, including resulting from Bangor sewer rate increases.

3. *Did Hampden sewer Users make their required payments?*

Hampden has a high rate of collections. At any one time some number of customer accounts are in delinquency or foreclosure, but the Town has maintained professional collections and delinquency practices for many years. A statement of the present number of sewer customers in delinquency or foreclosure will be added to the public record within the February 16 public hearing.

4. *Is Hampden not following it's own Sewer Ordinance? See Article 10, Sewer Service Charge.*

The Town Council is holding a public hearing to establish a sewer rate structure that will provide an adequate source of revenue "for retiring debt services and for capital expenditures, operation and maintenance of the public sewage works" in compliance with the Sewer Ordinance.

5. *Where is / was the Hampden oversight on this?*

My office is implementing protocols to ensure that the Council has adequate budgeting and accounting oversight of the administration of the Sewer Fund. This spring, a proposed FY17 Sewer Budget will be reviewed and voted by the Town Council after a duly posted public hearing concurrent with its conduct of other FY17 budget hearings.

6. *Hampden Water District/ Sewer official?*

The Town Manager and the Town Council share responsibility for management of the Sewer. The Director of Public Works is responsible for sewer operations. One staff member's compensation is paid from the Sewer Fund; that position is housed in the office of the Town Manager and responsibilities include sewer billings and collections.

7. *How much money was collected from the citizens of Hampden for their water and sewer bills over the past 2 to 3 years?*

Based on its audited financial statements, the Town of Hampden Sewer Fund has received the following revenues from customers in recent years:

Amounts Received from Customer Service and Capital Charges, FY10-15						
	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>	<u>FY12</u>	<u>FY11</u>	<u>FY10</u>
Charges for Services	\$528,165	\$531,582	\$549,035	\$562,212	\$565,475	\$529,547
<i>Source: Town of Hampden Audits FY10-15. Exhibit F.</i>						

Customer payments are the sole source of sewer operating and capital revenues.

The Hampden Water District (www.hampdenwaterdistrict.org) is responsible for operations and management of the water infrastructure, including rates and collections. HWD is wholly independent from the Town of Hampden.

8. *How much was and is the bill from the city of Bangor?*

Expenses are summarized in my February 13 memo to the Town Council. Both overdue invoices are attached to that memo.

9. *Why wasn't the bill from the city of Bangor paid for over two years?*

The two invoices paid in December 2015 were paid twelve months and twelve months, two days, respectively, after their due dates. (One of the invoiced amounts, in October 2014, corresponded to service dates of January 2014. When this invoice was paid in December it was nearly two years past the date of service.)

The two invoices now past due are overdue by ten months and three months, respectively.

See also Question 11, below.

10. When was the last time it was paid?

Two invoices in the combined amount of \$167,242 were paid to the City of Bangor on December 2 and 16, 2015.

11. What happened to the money that was collected from Hampden sewer users to pay this bill?

Audited financial statements have certified that all funds collected from customers, which are the sole source of operating revenue for the sewer, have been spent in accordance with authorized operating and capital costs.

Because the amounts paid by sewer customers did not cover actual costs, the Sewer Fund has at times relied on Interfund Transfers from the General Fund. These amounts are accounted for on the books of the Sewer Fund as liabilities. Customer payments are the only source of funds to pay back these amounts.

Amounts Received from Customer Service and Capital Charges, FY10-15						
	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>	<u>FY12</u>	<u>FY11</u>	<u>FY10</u>
Charges for Services	\$528,165	\$531,582	\$549,035	\$562,212	\$565,475	\$529,547
Total Operating Expenses	\$786,509	\$574,728	\$654,711	\$692,614	\$628,439	\$674,179
<i>Source: Town of Hampden Audits FY10-15. Exhibit F.</i>						

12. Why are the general citizens of Hampden expected to pay this huge increase to partially fund the overdue bill from the city of Bangor?

The General Fund revenues are equivalent to a loan. A discussion in Interfund Transfers in municipal finance is included in my December 7, 2015 memo to the Finance Committee. The Interfund Transfers are carried on the books of the Town of Hampden as assets, and are shown as liabilities on the Sewer Fund's financial statements. The present consideration of a new rate structure will include an estimated timeline for the Sewer Fund to return these funds to the General Fund over a proposed period of time (based on the amount of revenues the rate structure will generate annually).

13. Shouldn't the Users rates be incrementally increased to cover all the services they benefited from?

Sewer rates will be reviewed on a regular basis, including within an annual budgeting process. It is anticipated that service charge rate changes will more closely track rate changes in Bangor in the future; however, the specific rate structure in the future will be subject to action by the Town Council taken after a public hearing.

14. What is the plan to pay the rest of the overdue bill to Bangor?

All available sewer revenues will be paid to the City of Bangor until our account is current. In order to pay the overdue balances, and to pay the amounts due for service in FY16 (not yet invoiced), the Sewer Fund would require revenues from the General Fund through an Interfund Transfer. My office, pursuant to its responsibilities as Treasurer, is reviewing available repayment options.

15. What is the plan to pay back the General fund All past sewer related expenditures?

See Question 12.

16. What happened to the approximately \$100,000 per year capital funds that were collected?

The Sewer Fund has always maintained all of its debt service obligations. Revenues received from customers, including from the capital charge, have supported these bond payments.

17. Why were not sewer increases merely "passed through" Automatically, as they should be, to the Users AS They Happen, much like County Taxes are to residents?

See Question 13.

18. How does something like this happen? Why wasn't this addressed by the town manager and the town council?

The lateness of the City of Bangor's invoices to the Hampden Sewer presented a budgeting and cash flow challenge for years. Because the amounts due were received so long after the dates of service, increased charges outpaced the updating of rates. This was compounded because, over the years, significant errors in billing have led to subsequent adjustments. This led to a practice of meticulous review of invoices by the former town manager. These reviews were made more challenging when the invoices were received so long after the dates of service. My office is continuing work with the Bangor WWTP to improve timeliness of invoicing to support our budgeting process.

The public hearing on sewer rates is one component of an overall effort to put the Sewer Fund on sound financial footing.

19. *Has the former Hampden town manager been contacted for some insight into this issue?*

Yes.

20. *Where are the checks and balances? Is there no annual fiscal town audit done by an outside agency?*

All Interfund Transfers from the General Fund to the Sewer Fund have been documented in the town's audits.

21. *Is there only one person who sees the bills and has the 'checkbook' to cover such bills? And if there is only one person why is there only one person?*

In my role as Town Treasurer, I work closely with all members of the Administration and Assessing staff on financial and accounting matters. I am presently evaluating the suitability of the organizational structure relative to finance. Any proposed changes for FY17 would be introduced in the budget process.

22. *Where is the transparency in Hampden's fiscal town management?*

We try to be as transparent as possible in all aspects of town operations, including financial matters. All of the Council's meetings are open to the public, of course, and we maintain detailed meeting minutes for those unable to attend. Meeting packets for the Council and each of its four Committees are posted to the website simultaneous with their distribution to members of the Council.

23. *What exactly does the Hampden tax payer get in return for paying their taxes?*

The FY17 budgeting process will be as public and transparent as possible, and will provide clear information regarding how every dollar of tax revenue is budgeted.