



HAMPDEN TOWN COUNCIL  
HAMPDEN MUNICIPAL BUILDING  
MINUTES

TUESDAY

FEBRUARY 16, 2016

7:00 P.M.

*Attending:*

*Mayor David Ryder  
Councilor Greg Sirois  
Councilor Ivan McPike  
Councilor Stephen Wilde  
Councilor Dennis Marble  
Councilor Mark Cormier  
Councilor Terry McAvoy*

*Town Attorney Ed Bearor  
Town Manager Angus Jennings  
Town Clerk Denise Hodsdon  
Public Works Director Sean Currier  
Media Representatives  
Citizens*

*Mayor Ryder called the meeting to order at 7:00 pm.*

- A. PLEDGE OF ALLEGIANCE** – *Mayor Ryder led the Pledge of Allegiance.*
- B. CONSENT AGENDA** – *Councilor McAvoy requested that Item B.3.a. be set aside and Councilor McPike requested that Item B.4.b. be set aside. Motion by Councilor Marble, seconded by Councilor Sirois to accept the balance of the Consent Agenda. Unanimous vote in favor.*

**1. SIGNATURES**

**2. SECRETARY'S REPORTS**

- a. February 1, 2016 Meeting Minutes**

**3. COMMUNICATIONS**

- a. Penobscot-Downeast Cable Television Consortium – Broadcast Equipment Reimbursement** – *Councilor McAvoy said he has heard that this organization supposedly does some sort of negotiating for us or is the liaison between the cable supplier and the Town. He asked what do they actually do for us, what is the purpose of belonging to the organization, and who benefits from it? We currently get a franchise fee of 3% from Time Warner, which is a variable amount paid to the Town over a period of time and he doesn't believe that is a negotiated item that requires any interaction. We pay an annual dues to belong and he would like to see a copy of the agreement. Additionally he would like to know how much they charge us; who has the money gone to and how much have we got from it.*
- b. DHHS – General Assistance Review**
- c. DHHS – MaineCare Estate Recovery Program**
- d. Fresh Ginger Restaurant – Victualers License Renewal**
- e. Maxim Fitness Studio & Health Spa – Victualers License Renewal**

**4. REPORTS**

- a. **Finance Committee Minutes – 1/19/2016**
- b. **Services Committee Minutes – 1/11/2016** – *Councilor McPike noted that these minutes reflected a 6-0 vote to accept the minutes of the December 14, 2015 Services Committee meeting. Councilor McPike felt that since he was not a member of the committee in 2015 he was not able to vote to accept the minutes. The 1/11/2016 minutes will be amended to reflect the correct vote of 5-0-1 with Councilor McPike abstaining.*

**C. PUBLIC COMMENTS**

**D. POLICY AGENDA**

**1. NEWS, PRESENTATIONS & AWARDS**

**2. PUBLIC HEARINGS**

- a. **Amendments to Fees Ordinance – Article 2.9 Sewer Rates** – *Manager Jennings explained that the sewer fund has been operating at a deficit for a number of years. In order for the sewer fund to stay current with its bills over the years, it has relied on a number of interfund transfers from the general fund, which are essentially zero-interest loans. As of the end of FY15, the balance due from the sewer fund to the general fund was \$541,666 and so far this year in order for the sewer fund to make debt service payments, additional interfund transfers of approximately \$110,000 have taken place. He prepared a fee estimating worksheet which allows for changes to budget expense amounts, the service charge, the capital charge as well as the tier at which the capital charge doubles and triples under the terms of the ordinance. He included estimated FY17 expenses for the sewer in the amount of \$940,000 and the Public Works Director has some additional information as to whether that is the correct number to use. For purposes of discussion, Manager Jennings prepared five different scenarios of combinations of service charge, capital charge and multiplier for capital charge that would achieve those revenues for FY17 (copies attached and made a part of the minutes). He pointed out that if the rates are adjusted before the end of February, it will take 30 days for the ordinance amendment to go into effect. He recommended that the rates be changed before the end of the month so that they will go into effect for the second-quarter billing beginning on April 1<sup>st</sup>. The additional revenues from the rate adjustment would first come in during July or August. Mayor Ryder then opened the hearing for public comment.*

*Jim Kiser of 15 Constitution Avenue said he understands the basis for this but is disappointed in the aspect that we are looking at a rate*

*increase that essentially doubles everybody's sewer bill. In reviewing his own personal bill, if he uses the same amount this year as he did last year, his cost will go from \$240 to \$450. He said he knows it is not an easy thing and that we are all probably going to have to bite the bullet but it wasn't that long ago that the rates were increased, at which time the increase was about 30% and now we are looking at a 50% increase. He feels these are substantial jumps over the time period involved, especially for citizens who are not on an escalating income basis. This will be a very difficult factor for them to bite over. He said for us to continually rely on the transfers from the general fund over the years seems like poor mismanagement. He said that a number of years ago we went through the same issue with the water rates and went from a fairly low water rate town to one of the highest water rate towns in the State. He feels that a comparison of what rates other towns are paying needs to be done to see where it is going to put us overall. He thinks the Council needs to take a strong look and do the best they can to help the citizens where they can.*

*Manager Jennings noted that the last rate increase was in 2009 when the service rate went from \$3.28 to \$4.28 and the capital charge was not adjusted at that time. The last increase prior to that was in 1998. In terms of comparative rates, the Maine Rural Water Association's 2013 Wastewater Rate Survey was uploaded to the Town's website. Section 4 of the report talks about the annual user cost for 8000 cubic feet of usage. A Hampden customer with that amount of usage had an annual charge of \$414.00 and there are a number of communities with higher annual costs.*

*Jane Jarvi of 10 Sophie Lane thanked Manager Jennings for doing the exemplary job of finding issues and addressing them in a timely fashion. She totally agrees that the rates need to increase based upon usage. She said she understands setting up a reserve fund and feels that is totally appropriate. However, her challenge is with paying back the interfund transfer. She said as users of the sewer system we did not have a voice in that decision and none of the current Council members did either, but the Council made the decision at the time to incur debt in our name and now after several years, "surprise, you get to pay". She said that bothers her, and it bothers her that it is only on the people who utilize the sewer system when it was the entire town that made the decision; and it is going to all the users of the sewer system whether or not they lived here at the time those interfund transfers were made. She understands that the Town is doing a very good job of being fiscally responsible going forward but to saddle on 1/7<sup>th</sup> of the residents of our town, this additional bill, and many of us didn't even live in the Town at that time, that is of concern to her. She wants it equitably addressed for all the citizens of Hampden because it was their representation that incurred the debt. If the interfund transfer could be abolished up to a certain point or be absorbed by all citizens, she thinks that would be a more equitable way to address that issue.*

*Jeremy Jones of the Partridge Road thanked Manager Jennings and his crew for uncovering this misappropriation of taxpayers' funds and bringing it out in public, exposing it to the light of day so that we as a Town can right this wrong and integrate a system and procedures so that it never happens again. He hopes that some accommodation can be made for sewer users on fixed incomes and special hardships to ease the payment schedule, lest yet another resident be driven from Hampden. He asked "so is this a forced loan or a slush fund?" Basically our taxes have been jacked up to subsidize someone flushing their toilet in town. He said the beneficiary is the sewer user, while we in rural areas pay our own engineer to design a system, contractor to install the system, have it inspected and pay to have it pumped and maintained. For that fund that was used to pay off the sewer, the beneficiaries were the users. They also paid an increase in taxes but they were the beneficiaries; rural users were not. He said the need for oversight with checks and balances is painfully obvious here.*

*Alex King of Ichabod Lane said he lives in the rural district and has never been on town water and sewer, but he is in favor of not charging them for the infrastructure charge of the transfers. He feels that everybody in town benefits from the infrastructure increases because if we have a new development come off that new line, it is people that are not using it now that will benefit from that infrastructure. The people that are on it now and have been undercharged also pay taxes here, so they are already paying a good part of that infrastructure charge. He asked how much the infrastructure charge would be as part of the increase. He asked the Council to consider just the increase for the ongoing continual price for them to pay the fair share, but not the infrastructure.*

*Public comments were closed at 7:25 pm.*

*Manager Jennings explained that before setting rates, he had to make some assumptions in terms of what the expenses would be in FY17. The sewer fund will have a separate formal budget hearing concurrent with the other budget hearings but for tonight's discussion, he has put forth a draft expense budget for FY17. He noted that any of the numbers on his spreadsheet could be changed throughout the course of the discussion in order to see what the effect would be. Using the estimated \$940,000 expense budget, with a \$100,000 reimbursement to the general fund, 11% of every dollar paid to the sewer fund would go toward paying back the interfund transfer.*

*Public Works Director Sean Currier explained some of the costs included in the expense budget. He explained that in addition to pass-through costs from the City of Bangor, the Town is responsible for maintaining the system and there is additional cost for that, which we need to budget for. He said there is CSO maintenance that needs to be done soon and it would be his recommendation to include that in*

*the budget for FY17. It is his overall goal to get the sewer system to a preventative maintenance system versus reactive. There are other maintenance items that could be spread out over time, but the CSO maintenance is a more urgent need.*

*During discussion Manager Jennings made several adjustments to the budget expense amounts and to the service charge and capital charge rates on the estimating worksheet for the five different scenario combinations to show what effect each would have on the users.*

*Councilor Marble commented that Scenario E seems to have the least impact on those whom he would assume to be single users. Following further discussion, Councilor Marble moved and Councilor McPike seconded to adopt Scenario E to set the sewer service charge rate at \$9.74 without a capital charge. Following additional discussion, vote on the motion was 6-1 (Cormier); motion carried.*

*During discussion of rates in the remaining sections of Article 2.9 of the Fees Ordinance, it was noted that the fees in Article 2.9.2. need to be zeroed out. It was the consensus that the increase in the rates set out in Articles 2.9.1.1; 2.9.1.2; 2.9.3; and 2.9.4 should reflect the same percentage increase as the service charge rate applied to the median use customer, which would be 69%. Motion by Councilor McPike, seconded by Councilor Marble to increase the rates in Articles 2.9.1.1 and 2.9.1.2 by 69%; to zero-out the rates in Articles 2.9.2.1; 2.9.2.2; 2.9.2.3; and 2.9.2.4; and to increase the rates in Article 2.9.3 and 2.9.4 by 69%. Vote on the motion was 6-1 (Cormier); motion carried.*

### **3. NOMINATIONS – APPOINTMENTS – ELECTIONS**

- a. **Aimee Smith – Reappointment to Board of Appeals – Finance Committee Recommendation** – *Motion by Councilor Sirois, seconded by Councilor Wilde to reappoint Aimee Smith to the Board of Appeals. Unanimous vote in favor.*

### **4. UNFINISHED BUSINESS**

- a. **License Plate Issuance Policy Review – Finance Committee Recommendation** – *Motion by Councilor Wilde, seconded by Councilor Marble to accept the Finance Committee's recommendation to continue with the current policy until the end of the fiscal year. Unanimous vote in favor.*
- b. **Goals & Objectives Update** – *As part of the Council packet, Manager Jennings had provided copies of the slides he presented at Part 1 of the Town Council/Manager Goal Setting on February 6<sup>th</sup>. There was no further discussion of these materials. Part 2 of the Town Council/Manager Goal Setting is scheduled for 8:00 am on Saturday, February 20<sup>th</sup> at the Town Office.*

## 5. NEW BUSINESS

- a. **Library Lighting & Electrical Work Bid Results – Finance Committee Recommendation** – *Upon recommendation of the Finance Committee, Councilor Wilde moved and Councilor McAvoy seconded to accept the bid from Elco Electric to include Alternate D1 and Alternate M in the total amount of \$19,267.00. Unanimous vote in favor.*
- b. **Confirmation of Town Manager’s Appointment of Town Clerk – Motion by Councilor McPike, seconded by Councilor Marble to confirm Manager Jennings’ appointment of Paula Scott as Town Clerk.** *Unanimous vote in favor.*
- c. **Appointment of Finance & Administration Committee Chair – Mayor Ryder appointed Councilor Sirois as Chair of the Finance & Administration Committee.**

## E. COMMITTEE REPORTS

**Services Committee** – *Councilor McAvoy reported that at its last meeting the Committee discussed the disposition of cash in lieu of land. There is approximately \$70,000 in that account and the consensus seems to be that those funds must be applied to current parks and recreational facilities. The next meeting will be at 6:00 pm on Monday March 14<sup>th</sup>.*

**Infrastructure Committee** – *The next meeting will be at 6:00 pm on Wednesday, February 17<sup>th</sup>.*

**Planning & Development Committee** – *Councilor McPike reported that at its last meeting, the Committee discussed information relative to dangerous buildings with the Code Enforcement Officer and reviewed the municipal solid waste disposal proposals from MRC/Fiberight and PERC. The next meeting is at 6:00 pm on Monday, February 22<sup>nd</sup> to be followed by a special Council meeting at 7:00 pm regarding the MRC/Fiberight and PERC proposals.*

**Finance & Administration Committee** – *Councilor Sirois reported that in addition to items already discussed by the Council this evening, the Committee discussed the invoice from Woodard & Curran regarding the natural gas feasibility study and heard a presentation from the Auditor regarding the FY 2015 Audit.*

- F. **MANAGER’S REPORT** – *Manager Jennings had no report, but thanked the Council and public for their patience in what was a somewhat grueling public hearing.*

## G. COUNCILORS’ COMMENTS

**Councilor McAvoy** thanked Manager Jennings for the incredible amount of work he put in to the sewer rate issue. He reminded everyone to shop local and buy American. **Councilor Marble** noted that there will be no District 2 Hot Stove session this month due to the Council’s Goals & Objectives meeting on Saturday February 22<sup>nd</sup>. He also informed everyone that there is a bone marrow drive on March 12<sup>th</sup> at Hampden Academy for a resident who is suffering from leukemia. He also echoed Councilor McAvoy’s kudos to the Town Manager.

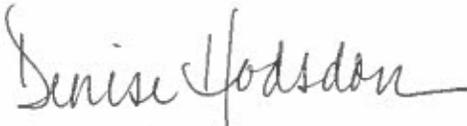
**Councilor Wilde** thanked Manager Jennings, Public Works Director Sean Currier and everyone else involved in trying to figure out the sewer rate structure. He appreciated all their hard work.

**Councilor McPike** reminded everyone about the Planning & Development Committee and special Council meetings on Monday, February 22<sup>nd</sup>. He stressed that these will be critical meetings to review the MRC/Fiberight and PERC proposals.

**Councilor Sirois** also thanked Manager Jennings for his efforts in the challenging sewer rate issue. He emphasized that the Council does not take this responsibility lightly especially to the residents of Hampden understanding the impact it will have on them and their budgets, but it is necessary to pay our bills and at the same time pay back the monies owed the general fund.

**Mayor Ryder** thanked Manager Jennings and Public Works Director Sean Currier and appreciated all the hours they put in on the sewer rate issue. He said sometimes we hear that the Town isn't being transparent and is hiding things, but he feels this a classic case that we are not hiding anything. We have let the residents know that mistakes were made, but we are working to rectify those.

H. **ADJOURNMENT** – There being no further business, the meeting was adjourned at 9:19 pm.



Denise Hodsdon  
Town Clerk



## TOWN OF HAMPDEN PUBLIC HEARING NOTICE SEWER RATES

**TAKE NOTICE:** The Town of Hampden hereby gives notice pursuant to section 2.9 of the Town of Hampden Fees Ordinance, that the Town Council will conduct a public hearing at 7:00 pm on Tuesday, February 16, 2016 at the Hampden Municipal Building, 106 Western Avenue, for the purpose of receiving information and comments concerning Town of Hampden sewer rates. Sewer rates will be established by the Town Council based on information and comments received at the public hearing.

Denise Hodsdon  
Town Clerk

**TOWN OF HAMPDEN, MAINE  
FEES ORDINANCE**

**TABLE OF CONTENTS**

<b>ARTICLE 1 - ADMINISTRATION</b>	<b>3</b>
<b>ARTICLE 2 - FEES FOR ACTIVITIES REGULATED BY TOWN ORDINANCE</b>	<b>4</b>
<b>ARTICLE 3 – FIRE DEPARTMENT</b>	<b>8</b>
<b>ARTICLE 4 – POLICE DEPARTMENT</b>	<b>9</b>
<b>ARTICLE 5 – PUBLIC WORKS DEPARTMENT</b>	<b>10</b>
<b>ARTICLE 6 – RECREATION</b>	<b>11</b>
<b>ARTICLE 7 – LIBRARY</b>	<b>12</b>
<b>ARTICLE 8 - POOL</b>	<b>13</b>
<b>ARTICLE 9 – ANNUAL REVIEW BY TOWN COUNCIL</b>	<b>15</b>

- ADOPTED:** Hampden Town Council October 20, 1986  
Effective: November 19, 1986
- AMENDED:** Hampden Town Council December 7, 1987  
Effective: January 5, 1988
- AMENDED:** Hampden Town Council March 21, 1991  
Effective: April 21, 1991
- AMENDED:** Hampden Town Council July 6, 1993  
Effective: August 5, 1993
- AMENDED:** Hampden Town Council December 20, 1993  
Effective: January 19, 1994
- AMENDED:** Hampden Town Council May 6, 1996  
Effective: June 6, 1996
- AMENDED:** Hampden Town Council February 7, 1998  
Effective: March 18, 1998
- AMENDED:** Hampden Town Council November 17, 2003  
Effective: December 17, 2003
- AMENDED:** Hampden Town Council March 21, 2005  
Effective: April 20, 2005
- AMENDED:** Hampden Town Council April 4, 2005  
Effective: May 4, 2005
- AMENDED:** Hampden Town Council October 6, 2008  
Effective: November 5, 2008

<b>AMENDED:</b>	<b>Hampden Town Council June 15, 2009 Effective: July 15, 2009</b>	
<b>AMENDED:</b>	<b>Hampden Town Council August 3, 2009 Effective: September 2, 2009</b>	
<b>AMENDED:</b>	<b>Hampden Town Council January 19, 2010 Effective: February 18, 2010</b>	
<b>AMENDED:</b>	<b>Hampden Town Council September 19, 2011 Effective: October 19, 2011</b>	<b>8.8.4, 8.9, 8.10, 8.11, 8.15, 8.16.1, 8.16.3, 8.16.5 (new 8.11 added and remainder of Article 8 re-numbered)</b>
<b>AMENDED:</b>	<b>Hampden Town Council April 23, 2012 Effective: May 23, 2012</b>	<b>New 1.13 added and remainder of Article 1 re-numbered, 3.5, 3.6, 3.7, 3.8, 7.2, 7.3, added 7.4 and 7.5</b>
<b>AMENDED:</b>	<b>Hampden Town Staff, November 27, 2012 Effective: December 27, 2012</b>	<b>Deleted Article 8.12 and 8.13</b>
<b>AMENDED:</b>	<b>Hampden Town Council, April 22, 2014 Effective: May 22, 2014</b>	<b>Articles 6.2, 6.3 and 6.4</b>
<b>AMENDED:</b>	<b>Hampden Town Council, September 2, 2014 Effective: October 2, 2014</b>	<b>Articles 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.10, and 8.16</b>
<b>AMENDED:</b>	<b>Hampden Town Council, December 1, 2014 Effective: December 31, 2014</b>	<b>Articles 3.1, 3.3, 3.5, 3.7 and 3.8; 3.9 and corrected numbering of Article 3; and Articles 4.2, and 4.4</b>

**TOWN OF HAMPDEN, MAINE  
FEES ORDINANCE**

The Town of Hampden hereby ordains:

In addition to those Town fees and charges, the authorization of which is provided for by Town Ordinances, the following schedule of fees for Town services is approved:

**ARTICLE 1  
ADMINISTRATION**

*Amended 11-17-03, 3-21-05, 6-15-09; 4-23-12*

<b>1.1. Business or Corporation filing</b>	State Regulated
<b>1.2. Copy of Certificate (marriage/birth/death)</b>	State Regulated
<b>1.3. Copy of Subdivision Ordinance</b>	At Cost
<b>1.4. Copy of Zoning Ordinance</b>	At Cost
<b>1.5. Copy of other ordinances</b>	
1.5.1. up to 20 pages	\$0.25/page
1.5.2. and a page after that	\$0.15/page
<b>1.6. Photocopies</b>	
1.6.1. 8½ inch x 11 inch or smaller	\$0.25/page
1.6.2. 8½ inch x 14 inch	\$0.50/page
1.6.3. 11 inch x 17 inch	\$0.75/page
<b>1.7. Marriage License</b>	State Regulated
<b>1.8. Notary Fee</b>	\$3.00
<b>1.9. Record Search</b>	\$5.00/hour
<b>1.10. Recording of Pole Permits</b>	
1.10.1. 1 <sup>st</sup> page	\$2.00
1.10.2. Additional pages	\$1.00/page
<b>1.11. Tax Maps</b>	
1.11.1. (11 inch x 17 inch)	\$50.00/complete set
1.11.2. (24 inch x 36 inch)	\$4.00 map
<b>1.12. Compact Disk copies of ordinances or documents</b>	\$5.00
<b>1.13. DVD copies of recorded meetings (Added 4/23/12)</b>	\$3.00
<b>1.14. Liquor License (Amended 6/15 09)</b>	
(Public hearing not required)	\$ 50.00
(Public hearing is required)	\$125.00

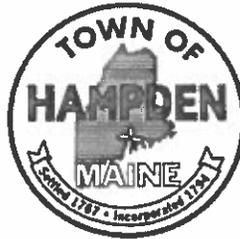
ARTICLE 2  
FEES FOR ACTIVITIES REGULATED BY TOWN ORDINANCE

*Amended 11-17-03, 3-21-05, 6-15-09, 8-3-09*

<b>2.1.</b>	<b><i>Animal Control Ordinance</i></b>	
2.1.1.	Animal Impoundment Fee	\$30.00 for each offense.
<b>2.2.</b>	<b><i>Cable Television Ordinance</i></b>	
2.2.1.	Initial Franchise Application Filing Fee	\$500.00
2.2.2.	Renewal Franchise Application Filing Fee	\$500.00
2.2.3.	Modification of a Franchise Agreement	\$500.00
2.2.4.	Combined Filing Fee for participating towns	\$7,000.00
<b>2.3.</b>	<b><i>Cemetery Ordinance</i></b>	
2.3.1.	Lot Fees including perpetual care.	
2.3.1.1.	Resident	\$200.00
2.3.1.2.	Resident -Infant or Cremation	\$200.00
2.3.1.3.	Non-Resident	\$300.00
2.3.1.4.	Non-Resident Infant or Cremation	\$300.00
2.3.2.	Interment fees	
2.3.2.1.	Grave Openings Weekdays Adult	\$250.00
2.3.2.2.	Grave Openings Weekdays Infant or Cremation	\$125.00
2.3.2.3.	Grave Openings Weekends or Holidays Adult	\$350.00
2.3.2.4.	Grave Openings Weekends or Holidays Infant or Cremation	\$200.00
2.3.3.	Town Crypt Fees	
2.3.3.1.	Resident	Free
2.3.3.2.	Non-Resident	\$25.00
2.3.4.	Disinterment	\$800.00
2.3.5.	Vault Cremation	\$250.00
2.3.6.	Public Works Dept. Labor After 3:00 PM	\$25.00/hour
<b>2.4.</b>	<b><i>Concourse Gathering Ordinance</i></b>	
2.4.1.	Concourse Gathering Permit Fee	\$100.00
<b>2.5.</b>	<b><i>Floodplain Management Ordinance</i></b>	
2.5.1.	Application Fee	\$75.00
2.5.2.	Experts Fee	\$500.00 horizontal review \$1,000.00 vertical review and horizontal review. This is a draw account established for a professional to establish flood elevation data where possible. Any unspent funds are to be returned to the applicant
<b>2.6.</b>	<b><i>Harbor Ordinance</i></b>	
2.6.1.	Overnight tie up to public float	\$0.40 per ft. boat hull length.
2.6.2.	Private mooring	\$25.00 annual fee.

<b>2.7. Historic Preservation Ordinance</b>		
2.7.1.	Certificate of Appropriateness Application Fee	\$75.00
2.7.2.	Historic Site or Landmark Designation Ap, Fee	\$150.00
<b>2.8. Mobile Home Park Ordinance</b>		
2.8.1.	Annual Mobile Home Park License <i>(This includes application review, initial inspection of premises and a follow-up inspection).</i>	\$150.00
2.8.2.	Additional Inspection Fee <i>(If the town needs to perform additional inspections as a result of applicant deficiencies, each inspection will be charged prior to the inspection).</i>	\$100.00
<b>2.9. Sewer Ordinance</b>		
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
<b>2.10. Solid Waste Flow Control Ordinance</b>		
2.10.1.	License Application Fee	\$10.00
2.10.2.	Annual License Fee Per Vehicle	\$25.00
<b>2.11. Special Amusement Ordinance</b>		
2.11.1.	Permit Application Fee	\$50.00
<b>2.12. Subdivision Ordinance</b>		
2.12.1.	Subdivision Sketch Plan	No Charge
2.12.2.	Minor Subdivision <i>(Less than 5 lots and no public improvements).</i>	\$35.00 plus \$20.00/acre
2.12.3.	Minor Subdivision Review/Inspection Draw	not required.
2.12.4.	Major Subdivision Preliminary Plan <i>(Five or more lots and /or public improvements).</i>	\$85.00 plus \$50.00/acre plus \$1,000.00 peer technical review draw account.

**Town of Hampden**  
106 Western Avenue  
Hampden, Maine 04444



Phone: (207) 862-3034  
Fax: (207) 862-5067  
Email:  
[townmanager@hampdenmaine.gov](mailto:townmanager@hampdenmaine.gov)

TO: Town Council

FROM: Angus Jennings, Town Manager

DATE: February 11, 2016

RE: Sewer Rates Public Hearing

---

Find attached prior correspondences to the Finance and Infrastructure Committees documenting the need for increased sewer rates.

I am working to finalize materials for Tuesday night's public hearing, and will circulate these via email, and upload to the Town website, tomorrow.

Town of Hampden  
106 Western Avenue  
Hampden, Maine 04444



Phone: (207) 862-3034  
Fax: (207) 862-5067  
Email:  
townmanager@hampdenmaine.gov

TO: Infrastructure Committee  
FROM: Angus Jennings, Town Manager  
DATE: January 12, 2016  
RE: Sewer Rates

---

Prior reports have documented the Sewer Fund's financial trends over the past several years (see esp. "Initial updates from preliminary FY15 audit" memo to Finance Committee dated 12/7/15). This memo does not repeat that information, but is intended to provide information to the Committee to inform consideration of changes to the Sewer rate structure (established in the Fees Ordinance) in order to get the Sewer Enterprise Account back onto solid financial footing.

#### Sewer Fund Financial Structure

At prior meetings it has been presented that, for a number of years, the combination of sewer operating costs and capital costs has exceeded annual sewer revenues by approximately \$200,000/year or more.

The (final review draft) FY15 Audit shows Sewer Fund operating revenues of \$528,165 against expenses of \$786,509 for a Net Operating Loss of \$258,344 (see Audit Exhibit F, attached). In order to meet some of its FY15 financial obligations, the Sewer Fund borrowed \$240,000 from the General Fund through an Interfund Transfer. At FY15 year-end, the total amount due from the Sewer Fund for Interfund Transfers was \$541,666.

In evaluating potential rate changes, I recommend consideration of the following policy objectives:

- 1) Ensure that revenues cover operating and capital costs on an ongoing basis;
- 2) Generate enough revenues over and above Item 1 to enable the Sewer Fund to repay the Interfund Transfers over an established period of time; and
- 3) Re-establish reserve funding to support future system investments, including capital improvements, periodic maintenance, and emergency investments (such as the burst pipe on Route 1A last spring, costing ~\$21,000).

### Sewer Fund Rates and Capital Charges

Sewer bills combine two charges: usage charges and capital charges. The usage portion of the bill is based on the customer's water usage (as provided to us, in advance of our quarterly billing, by the Hampden Water District and, for a small number of customers, by the Bangor Water District). Usage is measured in Cubic Feet (CF).

Customers are also billed a tiered capital charge of \$18.12 per 3,000 CF (per the formula in the Fees Ordinance). Customers showing no sewer usage during a particular quarter are still invoiced for the minimum capital charge (\$18.12).

While the information above summarizes the cost structure for most sewer customers, a small number of sewer customers are charged based on a flat rate pursuant to Sec. 2.9.1 of the Fees Ordinance. Specifically:

- Customers of sewer that have private wells, and do not have accounts with Hampden Water District. Because sewer bills are based on records of water usage, sewer customers without water accounts (and therefore without water meter readings) are charged a flat rate of \$105.44. This flat rate was set years ago by the Council in order to reflect the then-average residential sewer bill. Five customers fall into this category.
- Customers of sewer that do have accounts with Hampden Water District, but that don't have water meters, are charged a flat rate of \$64.24.<sup>1</sup>

In order to bring sewer costs and revenues back into balance, the Council could revise the usage charge, the capital charge, or both. I recommend that the Council consider whether its policy objective is for the usage charges to cover operating costs and the capital charges to cover capital costs (i.e. debt service). The new rate structure would vary significantly depending on whether this is the policy objective. At Wednesday's meeting we can review these effects in more detail.

### Sewer Customer Base

To understand the customer base, we evaluated all sewer customer's usage and billing records, including service and capital charges, for one year (2014, the most recent complete year records).

There are 1,492 customers in our database. The median customer, by usage, was billed for 4,900 CF in 2014. Usage of the 25<sup>th</sup> percentile customer was 3,000 CF; usage by the 75<sup>th</sup> percentile customer was 7,300 CF. Average usage – 6,500 CF – is not viewed

---

<sup>1</sup> There are two customers that fall into this category in our billing system. We are currently researching to ensure that these customers are appropriately classified.

as a good basis for analysis in understanding the customer base because it is skewed by large users. (The largest customer, by usage, was billed for 272,900 CF in 2014).

The following tables summarize the usage and annual costs (usage and total) for the system's 25<sup>th</sup> percentile, median and 75<sup>th</sup> percentile customers:

**25th percentile usage customer analysis, 2014**

		Bill/Yr (test)	
Usage/Yr (100 CF)	Bill/Yr (current)	Usage	Total
30	\$ 200.88	\$ 128.40	\$ 200.88

**Median usage customer analysis, 2014**

		Bill/Yr (test)	
Usage/Yr (100 CF)	Bill/Yr (current)	Usage	Total
49	\$ 282.20	\$ 209.72	\$ 282.20

**75th percentile usage customer analysis, 2014**

		Bill/Yr (test)	
Usage/Yr (100 CF)	Bill/Yr (current)	Usage	Total
73	\$ 384.92	\$ 312.44	\$ 384.92

My office has prepared a dynamic sensitivity analysis that will allow the Committee to see the effect of potential changes to the usage and/or capital charges in total, and as it would affect each of the illustrative "customers" profiled above. This calculates how new customer costs would compare with current (2014) costs.

This analytical tool will be available at Wednesday's meeting in order to support the Council's evaluation of potential rate changes, including how any such changes would affect both the bottom line revenues, as well as typical sewer customers.

**Cost Trends and Projections**

A summary of obligated debt service payments is attached. Aside from debt service, the most significant costs to the sewer fund result from the sewage treatment charges and the maintenance charges paid to the City of Bangor pursuant to the "Interlocal Agreement Between Bangor and Hampden Regarding the Use of Bangor's Wastewater Treatment Plant Complex by Hampden" (2/13/96) and the "Pump Station Maintenance Contract between Bangor and Hampden" (4/6/99). Both of these costs have increased over the years, and the Public Works Director is working closely with the Bangor WWTP

personnel to review charges to ensure they're accurate and appropriate, and to assist us in estimating future costs for budgeting purposes.

In addition, we are working to assign numbers to the following expected contributors to future cost increases:

#### Bangor Sewer Rate Increases

We have been advised that the City of Bangor is expected to increase its sewer rates by 3-5% for FY17. Hampden's FY15 sewer treatment costs were \$250,000. An increase of 5% to this cost would be an annual increase of approx. \$12,500.

#### Maintenance Costs

Bangor is responsible for maintenance of Hampden's pump stations through the Pump Station Maintenance Contract. We expect that these costs, which have not been increased in some time, will increase, and one (or maybe two) pump stations would be added for the Fiberright facility. Budgeting should take into account anticipated cost increases.

#### Bangor Capital Costs

The Bangor Wastewater Treatment Plant is overdue for replacement of the plant's biofiltration system (see 1/6/16 Bangor Daily News article, attached). Based on the terms of Hampden's interlocal agreement with Bangor, the Town expects to be responsible for 8.333% of the cost of capital improvements.<sup>2</sup> If this is correct, Hampden's share of this \$4.8M project would be \$392,000. Because these costs aren't yet certain, we recommend carrying a budget estimate of \$400,000 for this one-time expense (which, alternatively, may be bonded).

On the revenue side of the ledger, it is worth considering that, if the Fiberright facility moves forward, and if it discharges 150,000 gallons per day into the sewer system, it would generate substantial revenue. We have estimated revenues at between \$226,000 and \$316,000 per year, depending on whether the facility operates 5 days/week or 7 days/week. However, because we are essentially a pass-through, these revenues will be largely absorbed by additional treatment costs due to the City of Bangor

#### Revenue Needs and Policy Options

The sewer rates were last increased by vote of the Town Council on August 3, 2009, when the usage fee was increased from \$3.28 to \$4.28. No change was made to the

---

<sup>2</sup> The interlocal agreement provides for the Town to pay for capital improvements in proportion to its share of purchased plant treatment capacity. Hampden's purchased capacity of 1.5 million gallons/day divided by the plant monthly average flow of 18 MGD equals 8.333%. (Interlocal Agreement, Feb. 13, 1996. Sec. C(12), pg. 13).

capital charge at that time. According to the minutes of that meeting, the 2009 rate change was the first rate increase since 1998.

In preparation for Wednesday's meeting, I have prepared the following policy questions. These are intended to help focus the Committee's consideration on key items that will inform how rate adjustments are prepared. Any rate changes would need to be included in an amended Fees Ordinance, which would be preceded by a public hearing. However, in order to get an updated fee structure in place for the 2016 2<sup>nd</sup> quarter sewer billing, it will need to be voted by the end of February. Therefore, it will be necessary to make progress toward establishing the Committee's policy objectives.

Policy question 1: Does the Committee agree with the three policy objectives included on the first page of this memo?

Policy question 2: Should Usage and Capital Charges cover Operations and Capital, respectively? Or should revenues from usage fees contribute to capital costs?

Policy question 3: What is the goal for the period of time (number of years) over which the sewer fund should repay the interfund transfers from the General Fund?

Policy question 4: Will the Council budget for the debt service payment for the Business Park from the General Fund, or is the intent to pay this out of the Sewer Fund?

Since FY12, the payments for Bond 2000 D (Road Construction & Line Extensions, Business Park) have been paid out of the Host Community Benefits account. This account is not adequate to extinguish the remaining balance on this bond (bond matures 11/1/20; principal balance \$540,000 as of year-end FY15). Without including this bond payment, the FY17 amount due toward the four sewer bonds currently outstanding will be \$381,455. The debt obligation summary enclosed in the meeting packet projects inclusion of the 2000 D bond payment in the Town budget for FY17.

Policy question 5: When fees are changed, will the Committee also recommend adjusting flat rate sewer customers (see pg. 2 of this memo) to match the projected "average" sewer bill?

Policy question 6: Will the Committee support an increase to the interest rate for late payments, as authorized by the Public Utilities Commission?

Effective January 1, 2016, the allowable interest rate for late payments of utility bills increased to 11.25% (see attached letter from Maine Public Utilities Commission, 11/17/15). Late payments on sewer bills are currently subject to an

interest rate of 7.0%. Will the Council support an increase to the interest rate for late payments, as authorized by the Public Utilities Commission?

Other Sewer Policy Matters

The Infrastructure Committee has previously endorsed the recommendation of the Public Works Director to amend the permit process and fee structure for sewer connections to follow the Bangor model (meeting minutes, 10/26/15). These changes would, among other things, adjust the current \$200 sewer connection fee – which applies the same to a single-family home as it does to a laundromat, hotel or industrial facility – to take into account volume of flows in pricing. We anticipate bringing changes forward for consideration within a public hearing concurrent with the rate hearing.

**TOWN OF HAMPDEN  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2015**

**Exhibit E**

	<b><i>Sewer Enterprise</i></b>
<b><i>Assets</i></b>	
<b><i>Current Assets:</i></b>	
Cash and Equivalents	187,899
Investments	7,804
User Fees/Liens Receivable	37,976
<b><i>Capital Assets:</i></b>	
Construction Work in Progress	884,701
Other Capital Assets, Net of Depreciation	<u>6,678,109</u>
<b><i>Total Assets</i></b>	<b><u><u>7,796,489</u></u></b>
<b><i>Liabilities</i></b>	
<b><i>Current Liabilities:</i></b>	
Accounts Payable	393,516
Accrued Interest Payable	18,622
Retainage Payable	
Due to Other Funds	541,666
<b><i>Long-term Liabilities:</i></b>	
Due Within One Year	300,252
Due in More Than One Year	<u>3,168,721</u>
<b><i>Total Liabilities</i></b>	<b><u>4,422,777</u></b>
<b><i>Net Position</i></b>	
Net Investment in Capital Assets	3,141,764
Restricted	294,957
Unrestricted	<u>(63,009)</u>
<b><i>Total Net Position</i></b>	<b><u>3,373,712</u></b>
<b><i>Total Liabilities and Net Position</i></b>	<b><u><u>7,796,489</u></u></b>

The notes to financial statements are an integral part of this statement.

**TOWN OF HAMPDEN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PROPRIETARY NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Exhibit F**

	<i>Budget</i>	<i>Sewer Enterprise</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Operating Revenues:</b>			
Charges for Services	546,133	528,165	(17,968)
<b>Total Operating Revenues:</b>	<u>546,133</u>	<u>528,165</u>	<u>(17,968)</u>
<b>Operating Expenses:</b>			
Repairs	12,000		12,000
Sewer Flush Repairs	500		500
Utilities/Fuel	42,000	41,414	586
Pump Station Contracts	42,000	73,796	(31,796)
Treatment Service Charges	185,000	318,746	(133,746)
Special Projects	10,000		10,000
Liens/Transfers	4,000		4,000
Wages	60,000	60,000	-
Supplies	18,400	13,146	5,254
Depreciation and Amortization		279,407	(279,407)
<b>Total Operating Expenses</b>	<u>373,900</u>	<u>786,509</u>	<u>(412,609)</u>
<b>Net Operating Income (Loss)</b>	<u>172,233</u>	<u>(258,344)</u>	<u>(430,577)</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest Revenue	12,850	12,855	5
Change in Fair Market Value		(541)	(541)
Miscellaneous Income	20,000		(20,000)
Interest Expense	(344,000)	(91,702)	252,298
<b>Total Non-operating Revenues (Expenses)</b>	<u>(311,150)</u>	<u>(79,388)</u>	<u>231,762</u>
<b>Net Income (Loss) Before Contributions and Transfers</b>	<u>(138,917)</u>	<u>(337,732)</u>	<u>(198,815)</u>
<b>Total Net Position - Beginning</b>		<u>3,711,444</u>	
<b>Total Net Position - Ending</b>		<u><u>3,373,712</u></u>	

The notes to financial statements are an integral part of this statement.

**TOWN OF HAMPDEN**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Exhibit G**

	<u>Sewer Enterprise</u>
<b><i>Cash Flows from Operating Activities;</i></b>	
Received from Customers	528,165
Payments to Suppliers	(447,102)
Payments to Employees	(60,000)
Other Receipts (Payments)	<u>(197,332)</u>
 <b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	 <u>(176,269)</u>
 <b><i>Cash Flows from Capital and Related Financing Activities</i></b>	
Purchases of Capital Assets	(353,620)
Principal Paid on Capital Debt	(251,855)
Interest Paid on Capital Debt	<u>(91,702)</u>
 <b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	 <u>(697,177)</u>
 <b><i>Cash Flows from Investing Activities</i></b>	
Net Purchases / Sales of Investments	143,161
Interest and Dividends	<u>12,855</u>
 <b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	 <u>156,016</u>
 <b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	 <u>(717,430)</u>
 <b><i>Balances - beginning of the year</i></b>	 <u>905,329</u>
 <b><i>Balances - end of the year</i></b>	 <u><u>187,899</u></u>
 <b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>	
Operating Income (Loss)	(258,344)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	279,407
Changes in Assets and Liabilities;	
Receivables, net	7,434
Accounts Payable	57,627
Accrued Interest	(377)
Retainage Payable	(22,016)
Due to Other Funds	<u>(240,000)</u>
 <b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	 <u><u>(176,269)</u></u>

The notes to financial statements is an integral part of this statement.

**Town of Hampden**  
106 Western Avenue  
Hampden, Maine 04444



Phone: (207) 862-3034  
Fax: (207) 862-5067  
Email:  
[townmanager@hampdenmaine.gov](mailto:townmanager@hampdenmaine.gov)

TO: Town Council Infrastructure Committee

FROM: Angus Jennings, Town Manager

DATE: December 23, 2015

RE: Update on Sewer Rates

---

As you'll recall from the December 7 meeting of the Finance Committee, the revenues generated from our sewer bills have fallen short of actual expenses for many years.

DPW Director Currier and I are working to prepare proposals for consideration by the Infrastructure Committee, and eventually by the Finance Committee and Town Council, to adjust rates in order to cover ongoing operations, repay funds borrowed from the General Fund over the years, and rebuild capital reserves in order to make necessary investments in our sewer infrastructure. As part of this work, we have been actively engaged with the City of Bangor to ensure that their invoices are appropriate based on the terms of our agreements, and to anticipate potential rate increases by the City of Bangor that would affect us. Recent correspondence regarding a potential Bangor rate increase of 5% is enclosed.

Find enclosed two spreadsheets representing budgeted costs and revenues from the Sewer Fund for FY11 to FY16. This illustrates that, on average, costs have exceeded receipts by approximately \$150,000 to \$200,000+ per year.

At Monday's meeting, Director Currier and I will present our work to date with the goal of advancing a process to evaluate and amend sewer rates.

Due to the quarterly billing cycle, and the 30-day lag time after Ordinance amendment before the amendment takes effect, it will be critical to establish a new fee structure no later than February 2016 in order to apply new rates to second quarter billing (April to June) in 2016. Although additional revenues would not be received until July and August 2016, and there are nearer-term cash flow challenges that still need to be resolved, this timeline will help the Sewer Fund get back on a sustainable financial plan.

	Budget 2010/2011	Expended 2010/2011	Budget 2011/2012	Expended 2011/2012	Budget 2012/2013	Expended 2012/2013	Budget 2013/2014	Expended 2013/2014	Budget 2014/2015	Expended 2014/2015 (6/17/15)	Budget 2015/2016	Expended 2015/2016
60 - SEWER												
10 - FUND 2												
01 - COMPENSATION	\$60,000.00	\$65,410.40	\$60,000.00	\$68,188.71	\$60,000.00	\$66,351.23	\$60,000.00	\$65,027.81	\$60,000.00	\$60,225.05	\$60,000.00	
05 - WAGES												
10 - SUPPLIES	\$5,000.00	\$5,887.93	\$6,000.00	\$6,225.98	\$6,000.00	\$5,745.63	\$6,000.00	\$4,955.63	\$6,000.00	\$6,338.95	\$6,000.00	
05 - POSTAGE/SHIPPING	\$10,000.00	\$8,939.32	\$10,000.00	\$7,530.55	\$10,000.00	\$12,650.82	\$10,000.00	\$11,229.23	\$10,000.00	\$5,814.42	\$10,000.00	
20 - SUPPLIES/MATERIALS	\$2,300.00	\$2,246.01	\$2,300.00	\$2,340.94	\$2,300.00	\$2,340.94	\$2,300.00	\$2,385.41	\$2,400.00	\$2,400.00	\$2,400.00	\$0.00
99 - MISC	\$18,300.00	\$15,073.26	\$18,300.00	\$16,097.47	\$18,300.00	\$20,737.39	\$18,300.00	\$18,570.27	\$18,400.00	\$12,153.37	\$18,400.00	
15 - UTILITIES	\$36,000.00	\$39,867.02	\$36,000.00	\$31,329.18	\$40,000.00	\$35,219.15	\$40,000.00	\$33,990.45	\$42,000.00	\$40,557.67	\$42,000.00	\$0.00
10 - FUEL	\$36,000.00	\$39,867.02	\$36,000.00	\$31,329.18	\$40,000.00	\$35,219.15	\$40,000.00	\$33,990.45	\$42,000.00	\$40,557.67	\$42,000.00	\$0.00
20 - MAINTENANCE/REPAIRS	\$12,000.00	\$5,687.00	\$12,000.00	\$6,028.89	\$12,000.00	\$10,560.31	\$12,000.00	\$10,322.65	\$12,000.00	\$0.00	\$12,000.00	\$0.00
53 - Repair	\$12,000.00	\$5,687.00	\$12,000.00	\$6,028.89	\$12,000.00	\$10,560.31	\$12,000.00	\$10,322.65	\$12,000.00	\$0.00	\$12,000.00	\$0.00
30 - PROFESSIONAL SERVICES	\$2,800.00	\$2,730.00	\$2,800.00	\$2,314.00	\$2,900.00	\$3,081.00	\$3,500.00	\$3,651.00	\$3,000.00	\$3,877.00	\$4,000.00	\$0.00
48 - TRAVEL/TRANSPORT	\$2,800.00	\$2,730.00	\$2,800.00	\$2,314.00	\$2,900.00	\$3,081.00	\$3,500.00	\$3,651.00	\$3,000.00	\$3,877.00	\$4,000.00	\$0.00
60 - SEWER EXPENSES	\$175,000.00	\$188,744.90	\$185,000.00	\$231,854.32	\$185,000.00	\$184,940.44	\$185,000.00	\$122,614.00	\$185,000.00		\$185,000.00	
02 - TREATMENT SERVICE CHARGE	\$38,000.00	\$37,986.42	\$39,000.00	\$39,161.26	\$40,000.00	\$40,372.44	\$41,000.00	\$41,671.08	\$42,000.00		\$43,000.00	
04 - MAIN PUMP STATION CONTRACT	\$42,000.00	\$441,505.43	\$431,000.00	\$430,641.47	\$425,000.00	\$424,578.45	\$419,000.00	\$418,830.20	\$349,000.00	\$321,386.60	\$387,000.00	
16 - PRINC/INT FRHA	\$10,000.00	\$0.00	\$10,000.00	\$10,418.00	\$10,000.00	\$9,527.00	\$10,000.00	\$0.00	\$10,000.00		\$10,000.00	
22 - SPECIAL PROJ	\$500.00	\$235.43	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$205.74	\$500.00		\$500.00	
24 - SEWER/ELUSHER REPAIRS	\$665,500.00	\$660,472.18	\$665,500.00	\$712,025.15	\$660,500.00	\$656,418.33	\$655,500.00	\$583,292.02	\$581,500.00	\$421,138.68	\$625,500.00	\$0.00
	\$794,600.00	\$789,239.86	\$794,600.00	\$836,033.40	\$793,700.00	\$792,367.41	\$789,300.00	\$714,864.20	\$712,900.00	\$437,951.68	\$761,900.00	\$0.00

Sewer Revenue Budget

Account

Account	2010/2011 Budget	2010/2011 Received	2011/2012 Budget	2011/2012 Received	2012/2013 Budget	2012/2013 Received	2013/2014 Budget	2013/2014 Received	2014/2015 Budget	2014/2015 Received 6.16.2015	2015/2016 Budget	2015/2016 Received
60 - SEWER												
01 - SEWER BILLS	\$57,450.64	\$56,957.73	\$54,501.04	\$56,561.76	\$39,560.08	\$52,831.31	\$56,375.68	\$47,681.11	\$546,133.04	\$62,403.88		
03 - INTEREST ON SEWER BILLS	\$2,500.00	\$2,034.67	\$2,000.00	\$1,931.43	\$2,000.00	\$1,988.73	\$2,000.00	\$1,751.83	\$1,850.00	\$1,904.44		
05 - INTEREST/COSTS ON SEWER LIENS	\$6,000.00	\$7,442.59	\$6,000.00	\$6,254.46	\$7,500.00	\$7,843.11	\$8,000.00	\$8,403.53	\$8,500.00	\$9,744.35		
08 - ABATEMENTS	\$0.00	-\$1,461.88	\$0.00	-\$473.82	\$0.00	-\$1,039.48	\$0.00	-\$11,784.19	\$0.00	-\$19,000.43		
23 - INTEREST EARNED ON INVESTMENT	\$3,600.00	\$615.85	\$3,600.00	\$3,825.43	\$2,500.00	\$2,380.16	\$2,500.00	\$56.99	\$2,500.00	\$530.70		
79 - MISC SEWER INCOME	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00		
<b>Final Totals</b>	<b>\$89,550.64</b>	<b>\$85,589.16</b>	<b>\$86,101.04</b>	<b>\$92,099.26</b>	<b>\$71,560.08</b>	<b>\$84,003.83</b>	<b>\$78,875.68</b>	<b>\$65,796.27</b>	<b>\$78,983.04</b>	<b>\$80,582.94</b>		

Town of Hampden  
106 Western Avenue  
Hampden, Maine 04444



Phone: (207) 862-3034  
Fax: (207) 862-5067  
Email:  
townmanager@hampdenmaine.gov

TO: Finance and Administration Committee  
FROM: Angus Jennings, Town Manager  
DATE: December 7, 2015  
RE: Initial updates from preliminary FY15 audit

---

We have received preliminary findings from the FY15 audit, and have been working with the Auditor in recent weeks to integrate the year-end audit adjustments and reconcile our accounting. These adjustments will allow the Auditor to close out the FY15 audit. Once the final audit is received, this will be introduced for review and consideration by the incoming Council.

In the meantime, I am working on a report to bring a few items to your attention that have policy implications for matters currently under consideration (in particular, consideration of sewer fees or revenues) and that will need to be taken into account during FY17 budgeting.

– Sewer Rates inadequate to support operations and debt service

During the October 2015 discussion of the Fees Ordinance, the Council acknowledged the need for sewer rates to increase, and directed my office with the Director of Public Works to undertake the analysis necessary to recommend specific changes. We are making progress on this analysis, and we are working toward a proposal which may be ready for consideration at the December 21 meeting.

Revenues generated by sewer fees have not fully covered sewer operating and capital costs for several years. In FY14, the Sewer Fund, with revenues of \$531,581 offsetting operating expenses of \$574,728, suffered a net operating loss of \$43,146.

In order to stay current with its obligations, the Sewer Fund (SF) has borrowed funds from the General Fund (GF) over the years through interfund transfers. The amount transferred was \$242,198 in FY14, a significant increase from \$9,034 per the FY13 audit. The FY12 audit shows a transfer of \$161,765 from the GF to the SF.

The need for last year's interfund transfer was compounded by unbudgeted expenses in FY15 (i.e. \$21,000 for a burst pipe on Route 1A, \$9,700 for manhole replacements, \$13,500 for a pump grinder replacement at the Souadabscook pump station). Because of this, and prior years' transfers, sewer reserve funds have been substantially depleted.

The Auditor, who completes municipal audits in many communities, advises that interfund transfers are not uncommon, and are a somewhat routine part of municipal

budget management to respond to cash flow issues, unanticipated expenses, etc. However, the combination of the amount of the transfers, and the fact that sewer rates year-to-year have not generated revenues to cover sewer operating and capital costs – meaning the shortfall will continue on an ongoing basis until revenues and costs are brought into balance – this issue needs to be addressed promptly to avoid further depletion of the GF. As noted above, proposed sewer rates, which are one part of the recommended resolution, will be ready for review as early as December 21.

Based on the preliminary FY15 audit it appears that progress was made toward lessening the cumulative amount of the interfund balance; however, a true accounting of the total amount due from SF to GF will await completion of the final FY15 audit. More information will be provided at future meetings as available.

– Budgeting for Debt Service

When it became apparent to me that SF revenues were not covering sewer related debt service, I prepared a summary of the town's total current debt service obligations and budgeting to ensure an overall understanding of the situation. The attached table entitled "*Town of Hampden Debt Service Analysis, working draft of 12-7-15,*" illustrates the situation.

The FY16 SF Budget carries \$387,000 for principal and interest payments on sewer debt service, which covers the \$378,092 in debt service obligations for the current fiscal year. However, as has been discussed, sewer revenues do not cover budgeted operating expenses and debt service, so this budgeted number does not correspond to actual projections of sewer revenues. Additional revenues will be required in order for the SF to be financially self-sufficient.

The attached table illustrates another notable item. The 2000 bond issue which supported road construction and utility line extensions to the Business Park obligate payments of \$117,282 in FY16, with continuing obligations through 2020 (FY21). However, the approved FY16 budget does not account for this obligation. In fact, since FY12, the debt service payments on this bond have been paid from the Host Community Benefits (HCB) account and, as a result, the balance in that account is dropping quickly.

Just as was the case with the interfund transfers described above between the GF and the SF, the cumulative amount of HCB payments toward debt service (\$565,696 as of FY14 audit) show up in the audit as assets, marked "Due from Other Funds." However, needless to say, these revenues will only become assets to the HCB account – and to the GF – once a revenue structure is in place for the SF which will enable it to not only keep current with operating costs and debt service, but also to repay the interfund transfers over a period of time.

Purpose Proprietary	Bond Series	Maturity Date	Remaining Balance (Year-End FY14)	FY16 Debt Service Due	FY16 Debt Service Budgeted	Notes
996 Sewer SRF	1997 A	10/1/2017	\$ 358,915	\$ 96,348		The SF budget carries \$387,000 in FY15, which covers the SF commitments for FY15. However, because revenues don't cover the SF budget, payment of sewer debt service will require additional revenues.
006 Sewer Construction Bond	2006 C	11/1/2026	\$ 947,371	\$ 103,990		
010 Route 1A Sewer Bond		7/29/2029	\$ 1,512,492	\$ 108,537		
014 Sewer Project	2014 A	11/1/2034	\$ 902,050	\$ 69,217		
			<u>\$ 3,720,828</u>	<u>\$ 378,092</u>	<u>\$ 387,000</u>	

General Obligation	Bond Series	Maturity Date	Remaining Balance (Year-End FY14)	FY16 Debt Service Due	FY16 Debt Service Budgeted	Unbudgeted Debt Service	Notes
000 Road Construction & Line Extensions (Business Park)	2000 D	11/1/2020	\$ 630,000	\$ 117,282	\$ -	\$ 117,282	Debt service has been paid from Host Community Benefits Fund beginning FY12.
002 Fire Station	2001 D	11/1/2021	\$ 674,400	\$ 111,970	\$ 111,970		Debt extinguished; cancelled bond received 11/9/15
006 Gravel Roads	2006 B	11/1/2015	\$ 166,668	\$ 84,167	\$ 84,167		
011 Mayo Road Bond	2010 F	11/1/2030	\$ 1,551,250	\$ 123,822	\$ 123,821		
			<u>\$ 3,022,318</u>	<u>\$ 437,241</u>	<u>\$ 319,958</u>	<u>\$ 117,283</u>	Remaining revenues in HCB cover FY16 obligations, but inadequate to extinguish remaining balance.

SOURCES:

Town of Hampden Financial Statements with Independent Auditor's Report, FY11, 13 and 14.  
 Town of Hampden General Fund and Sewer Fund FY15 and FY16 budgets.

– Balances Due for Ongoing Sewer Operations and Maintenance

As this work with the Auditor was ongoing, my office became aware of past due amounts to the City of Bangor, with whom we contract for Wastewater Treatment and for maintenance of Hampden’s Sewer Pump Stations. The invoices were dated October 31, 2014 (for period of service 1/1/14 to 6/30/14), November 18, 2014 (for 7/1/14 to 10/31/14), and March 6, 2015 (for 11/1/14 to 2/28/15), and the total amount due was \$293,938. More recently, we received an invoice dated October 27, 2015 (for 3/1/15 to 6/30/15), showing an additional \$98,603 due.

We have since paid the first of the four invoices (10/31/14) in the amount of \$94,535, drawing from sewer monies received for the third quarter of 2015. However, the current balance in the SF is not adequate to pay the other invoices. I am currently evaluating our options to pay these outstanding amounts. Additional interfund transfers will be looked at as an option, but because of the declining balances in the GF over the years this can be expected to create (or worsen) cash flow challenges. The Tax Anticipation Note (TAN) issued in September affords us a \$2M line of credit which we have not yet drawn from, and which is available, but because any funds borrowed through the TAN will come due by June 30, 2016, this will only help with the near-term challenge. A more complete resolution is required, and my office is working to prepare options for consideration by the Council.

– Year-End Fund Balances have fallen steadily in recent years

As referenced above, the Town’s year-end fund balances have fallen steadily in recent years, in part as a result of issues discussed above. Audits from recent years show the following year-end fund balances:

FY14 \$3.14M  
FY13 \$3.57M  
FY12 \$4.81M  
FY11 \$5.42M

This amount will be determined for FY15 upon completion of the audit.

– Routine draw-downs of Fund Balances have directly reduced Property Tax Commitment

Interestingly, during this period of time, one contributing factor to the declining overall fund balances has been the Council’s annual draw from the fund balances in order to reduce the amount of the property tax commitment. Audits from recent years show the following “Beginning Fund Balance Used to Reduce Tax Commitment:”

FY15 \$500,000  
FY14 \$550,000

FY13 \$661,350

FY12 \$455,000

FY11 \$332,500

During my work on the FY17 budget I'll look closely at whether, and at what level, further draw-downs may occur while maintaining a sustainable overall financial strategy.

- Streets and Roads FY16 Reserve Budget was fully depleted before FY16 began  
The Town Council approved \$100,000 in the FY16 budget for Streets and Roads. However, because of two invoices from Maine DOT received in the fourth quarter of FY15 (as the local match for Route 1A projects approved in FY12 and FY14) totaling approx. \$122,000, the FY15 year-end deficit in that line item exceeded the \$100,000 budgeted. I have therefore advised DPW Director Currier that no reserve funds will be available for Streets and Roads in the current fiscal year. Annual funding received from Maine DOT will allow some work on streets and roads to go forward, but the work program will be planned based on a budget that is lower than standards in recent years.

In preparing budget message, which will kick off the FY17 budgeting process anticipated for the Council's second meeting in January, I will work with Finance staff and key Department Heads to prepare options for Council consideration for a comprehensive approach to implementing a sustainable financial plan to meet current obligations, ongoing operations and future policy and capital objectives.

In the meantime, I will keep the Finance Committee apprised of this continuing analysis and findings in support of present operations and future budgeting.

**Town of Hampden**  
106 Western Avenue  
Hampden, Maine 04444



Phone: (207) 862-3034  
Fax: (207) 862-5067  
Email:  
townmanager@hampdenmaine.gov

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,<sup>1</sup> \$200,000 in two invoices from the Bangor WWTP are significantly past due. This takes into account the FY16 payments year to date of

---

<sup>1</sup> 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
					\$ 200,000.00

**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:<sup>2</sup>

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

<sup>2</sup> 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:

<b>Rates needed at different Capital Thresholds</b>				
<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
<b>Total</b>	<b>\$ 940,000</b>	

Estimated FY17 Sewer Budget			
	Recommended	Available	Surplus (Deficit)
Capital	\$ 381,465	\$ 384,776	\$3,311
Operating	\$ 558,535	\$ 559,136	\$601
<b>Total</b>	<b>\$ 940,000</b>	<b>\$ 943,912</b>	<b>\$3,912</b>

**Estimated Effect on Customers by Usage:**

Effect on Customers by Usage						
	Current Cost	New Cost		Increase	Percent Increase	Monthly Cost
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:			
	Mult. 1	Mult. 2	Mult. 3	Mult. >3
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			
	Recommended	Available	Surplus (Deficit)
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						
	Current Cost	New Cost	Increase	Percent Increase	Monthly Cost	
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	Capital charge tier:			
	Mult. 1	Mult. 2	Mult. 3	Mult. >3
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			
	Recommended	Available	Surplus (Deficit)
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						
	Current Cost	New Cost	Increase	Percent Increase	Monthly Cost	
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	Capital charge tier:			
	Mult. 1	Mult. 2	Mult. 3	Mult. >3
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			
	Recommended	Available	Surplus (Deficit)
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						
	Current Cost	New Cost	Increase	Percent Increase	Monthly Cost	
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	Mult. 1	Mult. 2	Mult. 3	Mult. >3
				10
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			
	Recommended	Available	Surplus (Deficit)
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						
	Current Cost	New Cost	Increase	Percent Increase	Monthly Cost	
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	Placeholder amount; DPW to make recommendation.
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	Placeholder amount; DPW to make recommendation.
Reimburse Interfund Transfer from General Fund	\$ 100,000.00	FY15 year-end amt due \$542k; FY16 est. \$780k.
Sewer Reserve Account	\$ 5,000.00	Placeholder amount; DPW to make recommendation.
Sub-Total Operations	\$556,952.10	
Bond payments	\$ 381,466.00	FY17 committed
Sub-Total Capital	\$ 381,466.00	
Total	\$ 938,418.10	
<b>FY17 Expense Budget, Discussion Draft</b>	<b>\$ 940,000.00</b>	

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

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-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

Make All Checks Payable to: City of Bangor, 73 Harlow Street, Bangor, Maine 04401

## 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, §§2,C106 (NEW). 1989, c. 6, (AMD). 1989, c. 9, §2 (AMD). 1989, c. 104, §§8,10 (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](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  
Fax: (207) 862-5067  
Email:  
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](http://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

*Source: Town of Hampden Audits FY10-15. Exhibit F.*

*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.