

2022 Proposed Budgets Narrative

Commissioners Budget

The Commissioner's Budget for 2022 is largely unchanged over past years, with a couple notable exceptions:

- 2022 is a Collective Bargaining Agreement (CBA) negotiation year with the employee union. To support those negotiations, the Legal Union budget line has been increased to \$22,000. This represents 80 hours of effort by Precinct legal counsel.
- Accounting/Auditing expenses have fallen to \$51,300 from a projected \$62,200 last year. This is primarily due to Precinct staff receiving training and taking on more responsibility, which lessens the level of effort from hired accountants. The Precinct also switched auditors in 2022, resulting in additional savings.

Long term debt expenses have fallen 5.3% from 2021. This slight decrease is largely due to the recent refinance with NH Municipal Bond Bank and the 2021 payoff of SRF Note #30. Thanks to that refinance and payoff, annual long term debt expenses fell slightly even with the addition of a new payment for the Well 2R project.

Based on these tax-funded expenditures and using 2021 valuations and equalization rates, the 2022 tax rate is estimated to approximately 7 cents lower than 2021 rates (for Commissioners Budget portion only).

Sewer Budget

The 2022 Sewer Budget contains several changes in the expense lines from 2021. The operating budget is up 12.4%, but almost all that increase is due to new sludge disposal costs and an increase in septage revenue cost-sharing with CVFD. The major changes in 2022 are highlighted below:

- CVFD Septage Share has increased quite a bit. This line represents the proportional share of septage revenue credited to CVFD based on the proportion of wastewater flow they contribute, as outlined in the Inter-Municipal Agreement between the Precinct and the District. Overall septage revenues are projected to increase from last year's projections, which is why CVFD's share has also increased.
- Electricity has dropped from \$85K to \$65K (down from \$145K in 2020) thanks to the new solar array. Actual electricity costs should be less than this but NH Electric Co-op has let it be known that rates are likely to increase in 2022 so the budget reflects some of that uncertainty.
- Compliance testing has increased slightly to incorporate sludge testing as we continue planning for sludge disposal at a location other than the Town landfill.
- Plant Maintenance Contracts has increased slightly due to the addition of a maintenance contract for the solar panels.

- Wastewater Treatment Chemicals has increased due to rapid price increases for dewatering polymer and the need to add additional alkalinity through the sodium carbonate system.
- The new "Sludge Disposal" budget line is our estimated cost to dispose of sludge above and beyond what the Town landfill can take.
- Pump Station Communications has increased due to a need to replace the Precinct's radio equipment used in the SCADA (the technology that runs everything) system. Our current radios are no longer made, and parts are becoming increasingly rare. A new radio path study will be done in 2022, and new radios purchased and installed.
- The 2022 Capital Contribution has decreased as overall sewer debt has continued to decrease. The 2022 amount includes an additional \$130K related to solar energy savings to help offset sewer debt further.
- As presented to the Commission last fall, the Vehicle Capital Reserve contribution has increased from \$30K to \$75K to fully support the vehicle replacement schedule.
- The Sewer Infrastructure Capital Reserve deposit is up significantly from 2021 – this is the value of sewer buy-in fees received from new developments in 2021.
- After a 1-year hiatus due to uncertainty about solar production, the value of the Renewable Energy Credits (RECs) received in 2021 (\$36,050) will be deposited into the Energy Capital Reserve Fund.

There are two capital items included this year:

- It is proposed that the WWTF Sludge Truck be replaced in 2022. This is approximately five years earlier than planned but given the recent notice from the Town that up to 60% of our sludge must be disposed of elsewhere, this purchase has been bumped up. Our current truck is 24 years old and not suited for long-distance trips with a fully loaded sludge dumpster. The new truck will be a tri-axle roll-off truck to improve safety and reduce overall hauling costs by being capable of hauling fully loaded dumpsters. Regardless of where the sludge dryer project goes, this new truck will be fully capable of handling whatever type of sludge we produce.
- Due to the age of the WWTF HVAC system, heating coils are at the end of their useful life. Replacement of the coils requires that a section of the roof be removed because of the way the building was constructed around the HVAC equipment. Also considering that the entire HVAC system is nearly 25 years old and also approaching the end of its useful life, roof modifications are proposed that would both facilitate replacement of existing coils and provide future space for full HVAC system replacement when that time comes. The cost of this work is estimated at \$140,000, all of which would be funded from the CVFD Interconnect Fund.

On the revenue side of things, the budget conservatively projects revenues based on historical trends.

- Septage revenue is again projected to increase.

- CVFD's Contribution is projected to increase since the costs eligible for sharing with CVFD per the IMA are also increasing. A large portion of this increase are the new costs associated with sludge disposal, replacing the sludge truck, and WWTF roof modifications for HVAC repair.
- The budget proposes using \$98K from CVFD Interconnect funds for the WWTF HVAC roof modifications.

Water Budget

The 2022 Water Operational Budget is up 11.1% over 2022. Most all of this increase is due to inclusion of the 100% reimbursable Water Sustainability Grant Projects (formerly called "Asset Management by the State of NH) and the North-South Road water main looping in the operating budget. Notable changes in 2022 include:

- The large jump in Consulting Services is due to \$120K in NHDES Asset Management projects, all of which are 100% reimbursed through grants.
- Technology Services has dropped due to one-time SCADA upgrades being included in the 2021 budget.
- Communications includes the water share of the Radio Path Study to upgrade discontinued radios as outlined in the sewer budget.
- Equipment Repairs/Maintenance has increased a bit as the Precinct's equipment ages.
- Electricity is up to account for bringing Well 2R back online.
- Water Treatment Repairs/Maintenance is down because the one-time Well #3 cleaning cost from 2021 is not in this year's budget.
- Chemicals are up to account for the initial delivery of chemicals at Well 2R.
- In the Water Distribution New Equipment line, additional North-South Road watermain looping aims to improve system redundancy and resiliency and reduce dependence on existing mains located on private property. The total project cost is \$266,040, including \$151,203.80 spent in the 2021 budget to purchase pipe. The remainder of the project will be financed through water operating funds with the expectation of approximately \$206,000 in reimbursement by adjacent developments. This item is shown here under the operating budget because it uses only water usage fees and revenues, and no capital reserve funds.
- The Water Vehicle Capital Reserve contribution has been increased from \$30K to \$75K to support the vehicle replacement schedule, as it was in the Sewer budget.
- Water Infrastructure Capital Reserve budget line is the actual amount of water buy-in fees received in 2021, to be transferred from fund balance to the capital reserve account.

There are two special capital projects this year, as well:

- Energy efficiency upgrades at the water facilities, including conversion to high-efficiency heat pumps at all well buildings and rooftop solar at Well 2R at a total value of \$126,000.

50% of this cost will be reimbursed through a NH DES Sustainability Grant. The remaining 50% will be funded using water usage fees and \$30,000 from the Green Energy Capital Reserve. This item is shown outside of the operating budget per NH DRA request due to use of capital reserve funds.

- Replacement of old cast iron water main in Barnes Road between Rt. 16 and MacMillan Lane. This project will be funded in full by Water Capital Reserve in the amount of \$96,000. This item is shown outside of the operating budget per NH DRA request due to use of capital reserve funds.

As with the Sewer budget, revenues have been projected conservatively. Key items on the revenue side include:

- Anticipated \$183K in NHDES Sustainability Grant reimbursements – 100% of Asset management project costs, 50% of energy efficiency upgrade costs
- The Capital Reserve Offset includes \$96K from the water capital reserve funds for Barnes Road plus \$30K from the Energy Capital Reserve fund for a portion of the energy efficiency upgrade costs.
- The “Reimbursement: N-S Road Water Main” line includes contributions from developers to offset the cost of the North-South Road water main work. A portion of this has already been secured, the remainder is currently being discussed.