

Town of Milton

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A BETTER ACCOUNTING OF WATER USE

December 3, 2012

Check Valves, meters, etc.

New check valves and more accurate meters for the wells/pumps were authorized by Council last month and were ordered. The installation is scheduled for December. The remaining meter upgrades on the consumption side should be installed in December, as well. A January reading will indicate the reduction in the difference between pumped water and water metered at the point of use.

Cross Connection Survey

Last month's report mentioned a consultation with a vendor that specializes in cross-connection. A cross connection survey may find places where meters have been by-passed. One example is when "static" fire sprinkler systems are plumbed into a commercial use. The town has very few customers that have the potential to significantly impact our accounting of pumped-versus-billed water in this way.

More often, a cross connection survey will reveal places where it is possible that the public drinking water system could be compromised through backflow. An irrigation system that is exposed to organic fertilizer could pose a public health risk if there was a backflow of "tainted" water into the system, for example. Garden hoses left in swimming pools and industrial connections are other examples.

Backflow prevention will soon be mandated in Delaware. With this in mind, a program that involves both backflow prevention and a cross connection survey will be developed over the next year. Improvements related to supply, distribution and storage will continue to be our first priority, though.

Rate Setting and Cost Recovery

Prior Water Department reports have mentioned the Check Up for Small Systems (CUPSS) financial program – which is provided by the US Environmental Protection Agency (EPA). The EPA is the agency that funds public drinking water improvements through loans administered by the state Office of Drinking Water. The EPA has also established a standard for the financial sustainability of water systems. This is mentioned in the December 3, 2012 Town Manager Report.

In November, there was a training session that focused upon the setting of water rates. Rates should be set at a level that enables a system to replace its assets, when needed. The FY 2011 audit shows that the Town of Milton utility fund savings was \$688,830. This is 59% of the accumulated depreciation expense (estimated replacement cost) of the utility department assets. The net change of assets during the year, though, was roughly equivalent to the increase in depreciation in FY 2011.

Trash service rates are calculated with a \$10,000 annual reserve for late payments and contingencies. When this is subtracted, the 2011 increase in net assets for the Utility fund was \$113,703. This compares favorably with the \$101,451 increase in the depreciation expense for that year. So, savings are low but the current rate is meeting the need for an annual increase in net assets.

Rate Setting and Cost Recovery, cont'd

Our technical assistance grant to update the CUPSS program will most likely be realized in the early Summer of 2013. More detail about our infrastructure will be added to the current asset list. A thorough review of rates that adequately builds reserves and recovers costs will then follow. This simple review (above) shows that rates would need to increase if the goal of saving for replacement costs is to be met. The technical assistance grant will provide better guidance for this process.

Water System Improvements

The Office of Drinking Water (ODW) released its ranking of applications for water system improvement loans in November. Thirteen different projects from nine different municipalities were graded in accordance with a detailed process. Milton made two applications. These were ranked #7 (system improvements) and #10 (storage tank). Funding is limited, but each applicant is strongly encouraged to move forward with planning and the necessary legislative steps.

The conditions of the ODW Planning Grant that Milton received last year require that the town make an application for improvements. The ranking was based upon a very simple pre-application. The “full” application needs to be made by February 15, 2013. This full application will include much greater detail – as well as financial information. The financial information will be reviewed so that the lenders can assess the town’s ability to make the loan payments.

Our Consulting Engineer, Pennoni Associates, has been given the task of providing more detail about each component of the proposed improvements. The Water Committee will review these details in mid-January and make their recommendation to Council.

It is very likely that the Town Council will consider a resolution to hold a referendum in February. The February resolution would be followed by notices and public hearings in the weeks that follow. A referendum on the question of borrowing funds, in this scenario, would occur sometime between late March and mid-April of 2013.

The Water Facilities Planning study presented by Pennoni Associates in August 2012 was a refinement of the December 2008 Water Facilities Plan. A significant investment of time and money has been made to make certain that our use of the water resource and management of the enterprise is effective. Through the Water Committee and monthly reports, the Council and public have been apprised of activity and progress. Proposed improvements that are recommended by the Water Committee will be well publicized – as will the Council-supported plans.