

**UTILITIES COMMISSION MEETING
JULY 16, 2012**

Mayor Margo Bailey called the meeting to order at 7:30 p.m. In attendance were Council members James R. Gatto, Linda Kuiper, Mabel Mumford-Pautz and Mauritz Stetson, Robert Sipes, Utilities Manager, W. S. Ingersoll, Town Manager and Zoning Administrator, Jennifer Mulligan, Stenographer, and guests.

Mayor Bailey asked if there were any additions or corrections to the Utilities Commission meeting of June 18, 2012. **Mr. Stetson moved to approve the minutes as presented, was seconded by Mr. Gatto and carried unanimously.**

Mayor Bailey stated that cash on hand and in banks was \$876,584.85.

Mrs. Mumford-Pautz moved to pay the bills as presented, was seconded by Mr. Gatto and carried unanimously.

Mr. Sipes stated that he was continuing to give tours of the wastewater treatment plant.

Mr. Sipes stated that he had an employee on sick leave until August 13, 2012 due to shoulder surgery.

Mr. Sipes stated that two (2) grinder pumps were replaced at \$2,400.00 per pump.

Mr. Sipes stated that he had a list from Mr. Gatto of items that Mr. Gatto wanted to discuss at the meeting. Mr. Gatto stated that he was looking to create a separate Capital Improvement Program where hook-up fees for sewer and water would be put into a separate account to fund capital programs in the future.

Mr. Sipes stated that currently all funds go into the annual operations budget which covers operation and maintenance expenses. He said that funds need to be readily available if an unexpected problem occurs. He said that currently there was nothing coming in to set aside in a capital improvement program.

Mr. Gatto stated that water and sewer hook ups should not subsidize the day-to-day operational funds. He said that the money set aside would fund planned projects down the road such as new pumping stations or rebuilding of lines.

Mayor Bailey stated that water and sewer rates would have to be raised in order to cover operational expenses if there was a separate, unusable capital improvement fund. Mr. Gatto stated that the water and sewer rates should cover day-to-day operations as grants were drying up and the Town could not rely on State assistance for the future.

Mr. Stetson asked if there was a large amount in a capital fund, would it be a detriment when the Town went to ask for a grant. Mr. Ingersoll stated that when there were too

many funds on hands, the general public might be asking why their water and sewer rates are so high when the Town had so much cash on hand.

Mr. Sipes stated that his biggest concern was that if funds were earmarked in a separate account, how available would it be when it was needed. He said that there would have to be certain steps and requirements to get the money, when currently he was able to proceed with any emergency that came up. Mr. Gatto stated that there would still be depreciation and operational funds available; he was discussing a fund to provide for predictable expenses over a defined period of time. Mr. Sipes stated that he thought it would put much more effort into maintaining the budget and making funds available.

Mr. Gatto stated that this issue was a Utilities Commission accounting responsibility and the funds should be separated. He said that this would be a major shift and not done in one meeting. He said this was a new process and should be further evaluated.

Mr. Sipes stated that he could see a capital improvement program for aging infrastructure, noting that any new infrastructure should be borne by a developer.

Mr. Gatto asked if Mr. Sipes looked into the issue he raised on Richard Drive. Mr. Sipes stated that there were sixteen (16) historical repairs on Richard Drive; six (6) on the main and two (2) of the six (6) on the valves on the main. He said that the rest of the patches were because of laterals. Mr. Sipes stated that there was acidic soil on Richard Drive and he would suggest having a geologist look at that area. Mr. Sipes stated he did not think that it would be cost effective to replace the entire line.

Mr. Gatto asked Mr. Sipes and Mr. Ingersoll to discuss how the laterals were billed. Mr. Ingersoll stated that laterals were the responsibility of the homeowner, while mains were the responsibility of the Utilities Commission. Mr. Gatto stated that Chestertown was the only Town in the State of Maryland that billed the lateral to the homeowner. Mr. Ingersoll and Mr. Sipes disagreed the statement.

Mr. Sipes stated that the water and sewer rates were so low because the homeowner bore the cost of the laterals, if it had to be replaced. He said that nobody asks to have a water and sewer line replaced unless it absolutely had to be replaced. He said that that Utilities Department swallowed a good bit of the cost because the property owner was only paying for the road repair at approximately \$20.00 per square foot for backfill, sand, stone and blacktop. He said that if the homeowner paid the entire cost it would be closer to \$100.00 per square foot.

Mr. Ingersoll asked how old the lines were when they needed replacing. Mr. Sipes stated that they were usually 30-40 years old and repairs were largely due to tree roots.

Mr. Gatto stated that the Council voted to provide the homeowner with the provision to pay off a lateral on a quarterly basis. Mr. Sipes stated that this has been handled on a case-by-case basis and was difficult to track. He said that he speaks to each customer in

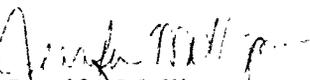
order to make arrangements, if necessary. Mr. Gatto stated that should be in writing somewhere.

Mr. Gatto stated that the Commission should also review the fees for water turn ons/turn offs as it had not been changed in many years. He felt that labor costs would indicate a higher fee being needed.

Mr. Ingersoll stated that all of the Council received copies of the proposed letter to MDE regarding the Hospital oil recovery project termination. **Mrs. Mumford-Pautz moved for Mayor Bailey to sign the letter, was seconded by Mr. Gatto and carried unanimously.**

There being no further business, **Mrs. Mumford-Pautz moved to adjourn the meeting at 8:15 p.m., was seconded by Mr. Gatto and carried unanimously.**

Submitted by:


Jennifer Mulligan
Stenographer

Approved by:

Margo G. Bailey
Mayor