**TOWN OF NEWMARKET, NEW HAMPSHIRE**

**BUDGET COMMITTEE**

**September 8, 2015 6:30 P.M.**

**TOWN COUNCIL CHAMBERS**

**SPECIAL MEETING – MacIntosh Well Overage**

MEMBERS PRESENT: Chairman David Foltz, Vice Chairman Michael “Mickey” Burns, William “Blue” Foster, Dan Hill, Jeff Raab, Daniel V. Smith, Craig Dionne

EXCUSED: Michael Lang, Meg Louney-Moore, School Board Rep Gail Durocher-Wentworth, Town Council Rep Larry Pickering

ALSO PRESENT: Town Administrator Steve Fournier, Water & Wastewater Superintendent Sean Greig

**AGENDA**

Chairman Dave Foltz welcomed all present to the Special Meeting of the Budget Committee of September 8, 2015 to consider a proposal for an over-expenditure on the MacIntosh Well Project, and called the meeting to order at 6:31 pm, followed by the Pledge of Allegiance.

**Attendance:** Chairman Foltz stated that Michael Lang and Meg Louney-Moore would not be present, and said he would contact Larry Pickering and Gail Durocher-Wentworth.

**NEW BUSINESS**

**Resolution #2015/2016 Authorizing the Town Council to Apply to the DRA for Emergency Expenditure of Funds of $795,000 from Water Surplus for the MacIntosh Well Project**

Town Administrator Steve Fournier stated that the MacIntosh Well Project budget had been over-expended by $795,000, and the Town Council was requesting the approval of an application to the Department of Revenue Administration (DRA) for emergency funds from Water Surplus. He stressed that this was not a normal situation by any means. For history on the project, he said the Town had been trying to find another source of water for the community for a number of years. Water & Wastewater Superintendent Sean Greig stated that the Water Plant had been shut down in 2004, which had taken away one of the water sources for the community. Town Administrator Fournier said that since that time, the Town has only had two (2) wells, the Bennett Well and the Sewell Well. He said that in 2010-2011 the Town went forward to the Town Council for the first bonding authority to develop the MacIntosh Well, which failed and failed again in 2012. He said that the Council then decided to put another bonding authority on the 2013 Ballot for $2.5 million to develop the MacIntosh Well which passed. He pointed out that the cost of the bond would not affect the water rates.

Town Administrator Fournier said at that time they had hired Weston & Sampson to provide an estimate for engineering costs to determine the figure for the bond. He said they then went out for design bids with another engineering firm, Hazen & Sawyer, who began in early 2014 and designed throughout the year. He said that they received notice in early 2015 that the numbers provided by Weston & Sampson were incorrect, and they decided to go out to bid for construction costs to determine the actual amount needed. When the construction bids came back in June 2015, it became clear that Hazen & Sawyer was correct, and that the original estimate by Weston & Sampson had been under-budget. Town Administrator Fournier said that they next asked another engineering firm, Wright-Pierce, to review the engineering proposals and that they had agreed with the Hazen & Sawyer figures. He said this left them with a project $795,000 higher than the bonding authority and the Town Council was notified. He said that the first reading of the resolution was in August and the vote held last week, with the Council unanimously approving the application to the DRA requesting the emergency expenditure, which also needed the approval of the Municipal Budget Committee. He added that only the DRA could approve over-expending a line item, as it could not come from taxation. He said that though some of the increase was due to inflation and delay, it was mostly due to an error made by the original engineering firm.

Town Administrator Fournier next reviewed all expenditures to date. He stated that the land was purchased by eminent domain for $87,937, advertising costs were $1,377, electrical service for the site $111,350, directional drilling $233,725, and engineering costs $271,700, bringing the total to date to $706,089. He stated that the lowest bid price for the construction costs was $2,121,677, plus $352,000 for construction administration oversight and $118,000 for contingency. He said that this brought the total revised project budget to $3,297,766, or $795,166 above the bonding authority of $2,502,600. Town Administrator Fournier said there had been some questions on what this authority meant, and he clarified that they would not have the authority to use the money for anything else but this project. He said that he and the Town Attorney had been working with the Commissioners to get this going, and that the DRA was prepared. He stressed that if the resolution did not pass, the project would be stopped, and said the money was available in the Water Surplus Fund and that the Town was running out of water.

Discussion: Mr. Smith asked when the MacIntosh Well would actually be in service if the Committee approved the resolution tonight, and Water & Wastewater Superintendent Greig replied probably by the end of summer next year. Chairman Foltz stressed that this would not fix the near-term water problem, and did not want anyone under that illusion. Water & Wastewater Superintendent Greig said that would be the time of year they would need the well the most, as that was generally when water supplies depleted. Mr. Dionne asked for the amount of the first bonding request, and Water & Wastewater Superintendent Greig said it was around $3.2 million as it was for full treatment of the well. Chairman Foltz asked if taking this amount of money out of the fund balance would create another issue 3-4 years in the future for water. Water & Wastewater Superintendent Greig replied that water revenues had been pretty healthy, and water rates had not increased since 2011. He said that the reason for the build-up in funds was they had expected to have some payments already due. He said the Town had reduced unaccounted-for water from 24% to 4%, and that a new metering program was eliminating leaks. He said that they were pumping a lot less water but bringing in more money with a $9,000-$10,000 savings per year on top. Mr. Smith asked if the fund balance had been earmarked for anything else in the next 3-4 years, and Water & Wastewater Superintendent Greig replied only the possible exploration of a fourth well.

Mr. Hill said that he understood that the overage was mostly due to a bad estimate, and asked if there was a plan in mind to avoid such large increases in the future. Town Administrator Fournier replied that he had talked to the Town Attorney as well as the Town’s insurance carrier to review their options with regard to the issue of the original estimate. He said that he also recommended to the Town Council that the Town have an engineer on retainer as an across-the-board service, and that they would be looking into proposals. Mr. Foster asked if the preliminary engineering by Weston & Sampson was done before any bonding authority, and Town Administrator Fournier replied that it was the same budget season. Mr. Foster then asked if the Town had paid an engineering fee to Weston & Sampson and Town Administrator Fournier replied that they had. In reply to Mr. Foster’s question regarding fees from Wright-Pierce, Water & Wastewater Superintendent Greig replied that they had done the review as a favor. Mr. Foster then asked if Packers Falls Road was the water treatment plant that closed in 2004. Town Administrator Fournier replied that it was. He said that tonight he was requesting a vote to approve the proposal of the Town Council to overspend funds arising from unanticipated cost changes in the MacIntosh Well Project in the amount of $795,000. Chairman Foltz asked what would happen if the DRA did not approve the application, or the Budget Committee did not pass this resolution. He felt that people needed to understand the result could be bad. Town Administrator Fournier reiterated that the project would stop without the authority to use the funds, and Water & Wastewater Superintendent Greig cautioned that water levels were approaching record lows. Town Administrator Fournier said that it would cost millions to restart the Water Plant on Packers Falls Road, and that he had been working very closely with the DRA and expected a good outcome. Mr. Burns questioned what the concerns of the Finance Director were, which were mentioned on page 2 of the memo. Town Administrator Fournier replied that the Finance Director was concerned that if the Town needed a 4th well, they would have to go out to bond again.

Mr. Burns made a motion to approve *Resolution #2015/2016-07 Authorizing the Town Council to Apply to the DRA for Emergency Expenditure of Funds of $795,000 from Water Surplus for the MacIntosh Well Project*, which was seconded by Mr. Foster. All members of the Budget Committee were unanimous in agreement.

**Adjournment**

Mr. Raab made a motion to adjourn the meeting and Mr. Smith seconded. The Committee approved the motion unanimously, and the meeting was adjourned at approximately 6:51 pm.

Respectfully submitted,

Patricia Denmark, Recording Secretary