

**City of Keene**  
**New Hampshire**

**FINANCE, ORGANIZATION AND PERSONNEL COMMITTEE**  
**MEETING MINUTES**

**Thursday, June 10, 2021**

**6:30 PM**

**Hybrid Meeting:  
Council Chambers B/via Zoom**

**Members Present:**

Thomas F. Powers, Chair  
Stephen L. Hooper, Vice Chair  
Bettina A. Chadbourne  
Raleigh C. Ormerod  
Michael J. Remy

**Staff Present:**

Elizabeth A. Dragon, City Manager  
Thomas P. Mullins, City Attorney  
Andy Bohannon, Parks, Recreation and  
Facilities Director

**Members Not Present:**

*All Present*

Chair Powers called the meeting to order at 6:30 PM.

**1) Melanson FY20 Audit Presentation**

The Chairman indicated this item is being placed on more time due to scheduling issues.

Councilor Hooper made the following motion, which was seconded by Councilor Remy.

On 5-0 roll call vote, the Finance, Organization and Personnel Committee recommends the Melanson FY20 audit presentation be placed on more time to accommodate scheduling issues of the auditing firm.

**2) Sponsorship Updates - Parks, Recreation and Facilities**

Parks, Recreation and Facilities Director addressed the Committee with an update on sponsorships. In 2016, when the sponsorship policy was passed, staff was encouraged to come back on a regular basis and update the Council on any sponsorships from local businesses. He indicated that despite Covid, the Department did receive a couple of sponsorships.

Summit Title Services, LLC sponsored the high school basketball league, which was \$500. These are the jerseys the kids wore while they play games at the Recreation Center.

Ted Shoe and Sport secured one banner to be placed at the Recreation Center for a one year agreement beginning March 1 with a financial value of \$450.

Mr. Bohannon stated sponsorship opportunities are in progress and if anybody's interested, they can call the office or visit the website, which has a link to the sponsorship policy.

Councilor Hooper made the following motion, which was seconded by Councilor Remy.

On 5-0 roll call vote, the Finance, Organization and Personnel Committee recommends that the City Manager be authorized to accept the sponsorship update for recreation programs as informational.

**3) Acceptance of Donations - Parks, Recreation and Facilities**

Mr. Bohannon addressed the Committee again and stated he is filling in for the Library Director, Marty Fiske. He indicated he and Ms. Fiske have worked together on this particular item. Roger Weinreich, owner of Good Fortune Jewelry and Pawn Shop has a donation box outside his storefront where people can leave donated goods for those in need. The success of that box led him to think about other places around the community, which might be a good location. The library had discussions with the Trustees and Friends, which approved the location of a box at the library. Before the Committee tonight is a donation to accept the contribution box to be installed outside of the Public Library.

Councilor Hooper made the following motion, which was seconded by Councilor Remy.

On 5-0 roll call vote, the Finance, Organization and Personnel Committee recommend that the City Manager be authorized to do all things necessary to accept a donation of a contribution box to be installed outside of the Keene Public Library.

**4) Request to Purchase City Property - Beauregard Trust - 0 Chapman Road - Parks, Recreation and Facilities Director**

Mr. Bohannon stated that in 2019 when the City was in the process of acquiring land from the Beauregard Trust on 0 Chapman Road, Edward and Kathleen Burke of 56 Chapman Road came forward and asked if the City would be interested in selling a 50 foot wide strip of land that goes up to the property of the Beauregard. The Burkes own lot 19 and the Beauregard property is lot 18 as referenced on the map included in the Committee packet.

The City had multiple discussions with the petitioner, viewed the property and then Covid happened and things slowed down. The Burkes have come back to the City and have requested to revisit this proposition. Staff has reviewed their proposal and the Burkes are looking to purchase the entire strip, which Mr. Bohannon noted is really unusable for City access. It is very steep access from Chapman Road up into and across their property. The City does have access to the Beauregard property from Woodland Avenue. If the Burkes were to move forward with this, they would be responsible for the expenses of the transfer and completing the property survey. The portion of land is approximately .63 acres in size.

Councilor Remy stated he has not been through a process where someone had approached the

City and he wasn't sure if the item needed to be noticed or if the City needed to accept bids. The Chairman indicated this is not the first time this item has been on the Council agenda – the process started about a year and a half ago and asked for the Manager's comments.

The City Manager explained this is a negotiated sale with an abutter, which the City occasionally pursues when dealing with a small piece of property that could not be developed by anyone else. The City did want to make sure the other abutter was not interested in the parcel and they are not. She indicated the Council had originally authorized the sale of half of the strip, and the City was to maintain the other half; however, the Burkes have come back and asked to acquire the whole piece. With the other abutter in agreement, staff is asking to move forward with the sale.

Councilor Hooper made the following motion, which was seconded by Councilor Chadbourne.

On 5-0 roll call vote, the Finance, Organization and Personnel Committee recommends that the City Manager be authorized to do all things necessary to do all things necessary to negotiate and execute a purchase and sale agreement with Edward and Kathleen Burke of 56 Chapman Road for the transfer to the Burkes, of City owned land having frontage on Chapman Road.

#### **5) Continued Discussion: Water and Sewer Methodology and Rates**

Public Works Director/ Emergency Management Director, Kurt Blomquist was the next speaker. Mr. Blomquist indicated the last time this matter came before this committee, the committee had a number of questions. Staff was asked to look at the data if a different breakdown was done relative to the "lifeline rate" or tier one rate and tier two rates.

Mr. Blomquist stated for the City's water/sewer customers, 5/8<sup>th</sup> inch and 3/4 inch meters are typically what residential properties have and anything above that would be for commercial activities and industrial/ manufacturing activities. Approximately 90% of customers within the City are on the 5/8<sup>th</sup> inch and 3/4 inch meters. When consumption is looked at, almost 50% of the consumption of water is used by residential metered customers with the remaining 50% being spread out throughout others in the system.

Mr. Blomquist stated the water budget is approximately 4.5 million dollars, the proposal is through the fixed fees to recover approximately 20% of that 4.5 million leaving about 3.2 million to be recovered through the volumetric charges.

Overall, the consumption being estimated for FY22 is approximately 677,000 cubic feet. Mr. Blomquist explained the more water that is charged at a lower rate, the higher the rate is on the remaining water that is then utilized by the various customers. As part of this review, staff did not propose any changes to the proposed charges for sewer.

On a typical facility, there is the domestic connection and, if the facility requires fire protection (internal sprinklers), or if it is a larger industrial warehouse facility, they have another connection to the system. Those fire protection connections are charged. There are also a number of private hydrants throughout the community, and these are typically for larger commercial

establishments. There is also a charge for those individual fire hydrants for water. There is no rate change being proposed for fixed rates.

Residential customers equal to approximately 6,100; of those 5,500 total customers are the 5/8<sup>th</sup> inch and 3/4 inch meter customers. Mr. Blomquist indicated the committee had directed staff to consider three scenarios for customers using a 5/8 inch or 3/4 inch meter size:

- how many customers are using 0 to 600 cubic feet per quarter
- how many customers are using 0 to 1200 cubic feet per quarter;
- how many customers are using 0 to 1800 cubic feet of water

Mr. Blomquist provided that breakdown as follows:

- 0 to 600 cubic feet are just over 1000 of those customers (19%).
- 0 to 1200 cubic feet approximately 2800 customers. He noted the 0 to 600 cubic feet are included within the 0 to 1200, hence this make up 50% of the city's customers.
- 0 to 1800 cubic feet is about 4,000 customers (75%).
- For the 0 to 600 cubic feet the rate would be \$3.38 cents. For water used above the 600 cubic feet, the rate goes up to \$5.07.
- 0 to 1,200 cubic feet proposed volumetric rate is \$3.53, any water consumed above the 1,200 cubic feet would be at a rate of \$5.07.
- 0 to 1800 cubic feet would be \$3.62, any customers that exceeds 1800 cubic feet, would be charged at \$5.43 cents for every cubic feet above the 1,800.

The committee also asked the staff to consider staying with the system that the City has today, which is a uniform rate – with all customers pay the same amount for volumetric rate, starting at \$4.78 cents. Tier one and two rates are only for the residential customer for 5/8<sup>th</sup> inch or 3/4 inch meter customers. All other customers would pay the tier two rate.

Looking at the low residential customer, those are the customers that use between 0 to 600.

- Scenario A - 600 cubic feet - tier one rate of \$3.38 cents
- Scenario B - 0 to 1,200 cubic feet - tier one rate of \$3.53 cents etc

Mr. Blomquist stated for the 600 cubic foot customer there is a fairly minimum difference. The price ranges would be approximately \$120 per quarter between the A, B and C scenario.

Under the uniform rate the bill would be about \$128 per quarter.

Councilor Ormerod commented on the format of data on the charts and noted that he found that format of data confusing.

Mr. Blomquist thanks the Councilor for his comments and went on with his presentation for the first group of customer 0 – 600 cubic feet. The next group would be the 0 - 1200 cubic feet – the first 600 cubic feet would be at \$3.38 and the additional 600 cubic feet above that would be at the tier two rate of \$5.07.

Mr. Blomquist referred to the 1,800 cubic feet scenario and explained that for this particular case there is a slight drop down for the customer when dealing with 0 to 1,200 and then it goes back up again with the uniform rate.

With the uniform rate, the bill would be approximately \$200 per quarter for both water and sewer, and with scenario B if 1,200 cubic feet was to be the top of the tier, the rate will be at \$185 per quarter.

Top consumption – 1,800 cubic feet - for each of those the customer with the tier structure - a 600 cubic feet would be under a lower tier cost, the remaining 1,200 cubic feet would be under a higher tier cost.

For commercial properties, there would only pay the tier two rates for the various scenarios. Mr. Blomquist referred to a 2,600 cubic feet per quarter customer as an example. They will pay the least under the uniform rate but will pay more under the other scenarios. For commercial uniform rate would be the lowest amount of charge per quarter.

With maintaining the current billing structure, water will increase by about 20% and sewer will increase by about 6%.

For 600 cubic feet customer under this rate structure their increase will be about \$136 versus \$120 if we were to go with Scenario A. Just increasing the current rate structure would give everyone a slightly higher bill per quarter for basic residential customers.

For commercial and other users, there would be similar sort of pattern with the exception of the high usage customers.

Councilor Remy referred to Princeton Properties or Century Apartments and asked what size meter this property might have. Mr. Blomquist stated that apartment complexes are considered to be commercial activity. If they only have a single meter then they would be charged the commercial rate and that would be whatever rate it is for the size of that meter.

Councilor Remy stated his concern is they would then be at the tier two pricing and they will see a water bill increase of over 20% for these commercial properties. He agreed for individual residential properties, this pricing is going to be much cheaper. He stated his concern is those commercial properties which are actually “mass residential.”

Mr. Blomquist stated with these mass buildings any sort of relief is dependent on a third party, in this case the landlords, so it gets much more difficult to try to apply any relief as the City does not have any data in the system to identify how many units are on a particular meter size.

Consultant Dave Fox added to the discussion by saying what they are doing with the rate restructuring is not only establishing a lifeline rate, but also performing a shift for cost of service and pushing more into fire protection which is benefiting most customers. With the initial proposal they looked at, with the lifeline rated at 6 CCF and an apartment complex with a one inch or larger meter, they would be assessed at that higher tier. A commercial customer with a

one inch meter who uses 900 cubic feet per month or 2,700 cubic feet per quarter is going to see a 10% increase. The City is also shifting some costs to fire protection which in turn is reducing the bills for commercial customers. Mr. Fox noted if the City was to do nothing at all, to maintain the existing structure, the City needs 20% more revenue on water and 6% more revenue on sewer across the board.

Councilor Remy asked for those the apartment buildings which also have fire protection in them, wouldn't the shift also impact most of those properties. Mr. Fox agreed for larger complexes it would, but not for smaller apartments that only have one fire line into the property. The fixed charge associated with that is certainly going to shift costs to those customers, but not necessarily in such a disproportionate away unless there are many fire lines coming on to that property.

The City Manager stated she wanted to clarify the current rate is not going to tell us what we need because we are comparing what will be the rate under the new structure or under the current structure based on the budget that is going forward as of July. So the budget for water and sewer - one will see a 20% increase the other will see a 6% increase. What is being proposed under the new rate structure will actually be reduced because some of those costs are being shifted to fire protection. The confusing part is when we get into the conversation about the lifeline rate and how much the water rate would see a break.

Councilor Ormerod stated when one looks at the numbers he had explained previously why you cannot look at the charts. He indicated what the numbers are telling him is with the fixed rate for everyone seems to be the most fair. It also seems the differences among the other rates are very small with the lifeline rates, even though the intent was good. It is not going to result in the outcome that we want of balancing the budget.

Councilor Hooper stated he agrees with Councilor Ormerod after studying the projected tier system. When compared the two he came to the same conclusion that in the long run the fixed rate for everyone is better than the tier system. He felt the tier system is likely to cause more of a public concern.

Councilor Remy stated tonight is the first time he is hearing about shifting costs on to a different part, and it's really hard for him to evaluate this without really understanding that side of it. What is being discussed is only the water consumption rates not about the shift to the fire protection as this only impacts commercial or large residential. He stated he would like to pick an apartment building and perform a comparison based on all three pieces versus keeping the current structure. He felt this is the type of housing the City currently needs.

Chair Powers clarified each of the fixed rates are increasing; certain ones are increasing more than others. Mr. Blomquist answered in the affirmative. City Manager reiterated to the committee 90% the customers have 5/8<sup>th</sup> and 3/4<sup>th</sup> inch meters. She agreed there is going to be a shift in the fire protection for potentially the larger commercial and maybe a large residential properties; however, 90% of the customers will actually see a small reduction based on the new rate structure.

Councilor Remy replied by saying 90% of pipes into buildings - that is not necessarily 90% of the population of the City because there are only 5,000 people that would be affected, which means there are 15,000 other people that are not being fed by one of those pipes. He stated that is his concern. The Manager noted there are 20,000 people who live in Keene but there are not 20,000 units. Mr. Blomquist stated even if the City was to stay with the current structure, all customer costs are going up 20% and sewer will go up by 6%

Councilor Remy stated he will be ok with taking the full 20%, but as a single family home owner he does not want to be given a 15% increase and have workforce housing go up by 25%. Mr. Blomquist stated Councilor Ormerod had picked up on that and that is why he was suggesting going with the single volumetric rate as that is the most fairest distribution of the volumetric cost.

Chair Powers based on the chart that is being presented by staff tonight, how many fire protection lines the City has. Mr. Blomquist stated he does not have that information for tonight because a particular structure of building is going to have a different configuration of fire line. Mr. Fox noted the City has approximately 277 fire lines and the vast majority of those are six inch lines and because of anonymity they don't know exactly who those customers are.

Councilor Ormerod stated he agrees with Councilor Remy in his concern and felt his concern goes back to the third slide which was titled "water rate recovery" - which is fire protection and encompasses the fixed charge from every residential or commercial based on the size of its meter, etc. The concern is if we shift too much to the fixed charge for the fire protection side it is going to disproportionately impact the cost to the medium and light commercial, which is workforce and other housing.

Mr. Blomquist referred to the third slide which shows approximately 1.28 million being raised from fixed costs which fixed charges comes from meter charges, based on size, along with fire charge. Mr. Fox added \$470,000 of the 1.28 million comes from fire charges and the remaining \$800,000 comes from meter size charges. Councilor Ormerod indicated 15,000 residents Keene live in multifamily units. Mr. Blomquist noted fire lines also cover Riverside Plaza, the hospital, and those are very high cost and hence did not feel there could be a direct correlation.

Councilor Remy stated he would be willing to commit to a single water rate as opposed to a tier rate because that would help from a planning perspective and stated he was not ready to commit to the rates that we have in here because he wanted to make sure one group was not being overburdened versus another. He stated he was not ready to vote without more information on the different numbers and what fire lines look like. He wanted to make sure the City is doing the right thing for the most people especially for those who need as much of a break as we can give them.

Mr. Blomquist stated he was looking for some guidance as to what the committee was looking for. From the concerns raised it seems like he would need to look at each fire line to determine if it supports an apartment complex or support an entity such as Markem Corporation on Optical Avenue. Councilor Remy stated he would be fine with picking a couple of larger residential properties and seeing what the full impact to them would be versus a residential property. Mr.

Blomquist clarified the Councilor's assumption is the property owner would increase rental rates, the Councilor agreed. Mr. Blomquist asked whether it is also the Councilor's assumption the property owner would reduce rental rate if the water rate is reduced.

The Councilor stated not necessarily but wanted to make sure the City was evenly affecting everyone across the board.

Councilor Hooper asked if this item was to be put on more time how that would affect staff's timeframe. The Manager stated this is something the Finance Director would have to determine as the City needs a rate structure to implement the July 1 budget. Right now there are a little behind and hence will be implementing the budget a little later already. This could result in the first bill being a lower and then the next bill much higher.

Finance Director, Merri Howe agreed they are a little late with this process and setting these rates is an ordinance process so it will have to go to City Council, back to the FOP Committee and then back to City Council. She indicated even if this process was moved forward this evening, August 1 would be probably be the earliest the rate structure could be implemented. She noted the issue this year is that they have a very small projected use of fund balance for the FY22 budget, which means the budget coming in, the revenues would be slightly short to balance the budget and staff will have to use surplus funds to balance the budget. Ms. Howe stated if they wait much longer to get this done, the lower the revenue will be and the current rate being discussed will have to be increased to reach the City's objective

Chair Power stated what he is hearing is that the City is going to pass a budget for water and sewer that is not balanced and are going to make up the balance through reserves, and he felt that was not a good way to do business.

Human Resource Director/Asst. City Manager stated what she is hearing is whatever recommendation the committee makes tonight the item is going to be back before this committee. She felt to accommodate the timeline, it would be prudent to move something forward and then continue to work these issues and then come back to FOP for further discussion.

The Manager stated she heard is the committee would like an analysis on where these fire lines are and who is being impacted by that change – with the objective to look at a fixed rate for a residential home and compare it to a percentage increase for a property that has fire lines. Councilor Hooper stated he agrees with Ms. Fox that the Committee should move something forward to keep this item moving forward and asked the Committee which option they wanted to go with. Councilor Chadbourne stated she would like to move forward with option 2 and looks forward to an analysis coming forward in the future. Councilor Chadbourne stated she has heard from many people and she felt this option is going to be the most acceptable and comprehensible to most.

Councilor Hooper made the following motion, which was seconded by Councilor Chadbourne.

On 5-0 roll call vote, the Finance, Organization and Personnel Committee recommends the City Manager be authorized to do all things necessary to implement the presented water and sewer



rates and charges including a single water volumetric rate for all customers and the rates and charges would be effective August 1, 2021.

**6) Standard Power- Hydro Agreement**

City Manager Elizabeth Dragon stated she was asking for approval to enter into and negotiate a Default Service Reimbursement Hydro Agreement with Standard Power and to adopt Resolution R-2021-25, which would create a special revenue revolving fund. In addition, the Manager indicated she was asking that the funds received from Standard Power be deposited into this newly created special revenue revolving fund to be used for the community power program.

Ms. Dragon explained Standard Power came to the City to see if they would be interested in entering a group net metering contract for the Ashuelot River Hydro in Keene and if the City was willing to enter in to such an agreement, to deposit those funds into a community power program to further the initiatives tied to that program. This would bring about \$15,000 to \$20,000 a year. This is a credit the City is receiving on behalf of the Ashuelot River Hydro Group and this will not prevent the City from moving forward with its own contracts and community power program as a bulk purchase.

The second part is, because Standard Power has been involved with the City's Community Power Program this will give that program a boost and get that program up and running. In order to make sure those funds are allocated only for the community power program, staff is proposing a Resolution that creates a revenue revolving fund to be carried forward every year and can only be used for the purposes of the community power program.

Councilor Hooper made the following motion, which was seconded by Councilor Remy.

On 5-0 roll call vote, the Finance, Organization and Personnel Committee recommend that the City Manager be authorized to do all things necessary to do to negotiate and execute a Default Service Reimbursement Hydro Agreement with Standard Power, to adopt Resolution R-2021-25 and to deposit funds received from Standard Power into a newly created special revenue revolving fund to be used to further the Community Power program.

The Manager indicated the next meeting will be an in person public meeting as the Governor has announced the emergency order has been lifted as of tomorrow.

There being no further business, adjourned the meeting at 8:06 PM.

Respectfully submitted by,  
Krishni Pahl, Minute Taker

Edited by the City Clerk's Office