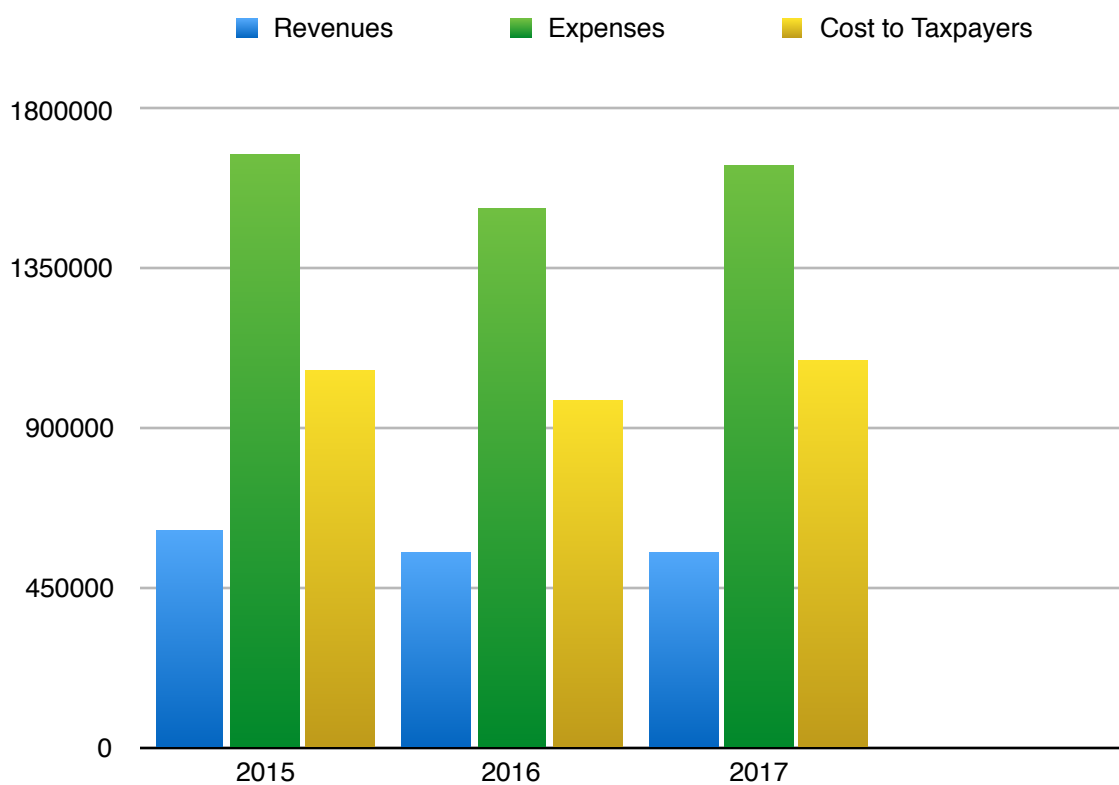


This report, on sewer finances and flows, was first submitted to the Board of Selectmen three years ago, and will be submitted annually. It differs from the water system report in that we are not able to break down the sewer flows to the same level of detail we do with the water report. My report will cover the last three years of data.

The numbers outline the problem facing Seabrook, and the difficult decisions that are ahead. In 2017 the taxpayer subsidy to the Wastewater Division amounted to over \$1 million dollars. (\$1,089,280) That is an alarming 11.4% increase in the taxpayer subsidy over 2016, and is simply not sustainable. While overall flows increased by 8.6% revenue was up by a paltry 1%.

When combined with the taxpayer subsidy in our Water Department the total budgetary impact, in dollars, is \$1,838,468. While there are many important issues facing Seabrook this is one of critical importance. Using \$22,375,000 as a baseline budgetary number the sewer deficit is 4.8% of our total budget. When combined with water the combined deficit is 8.2% of our total budget.

We have awarded the bid for a water and sewer rate study, and the Board is studying the options presented in the first round. I have contacted the consultant to bring them back to discuss the options, and to move that policy discussion forward.

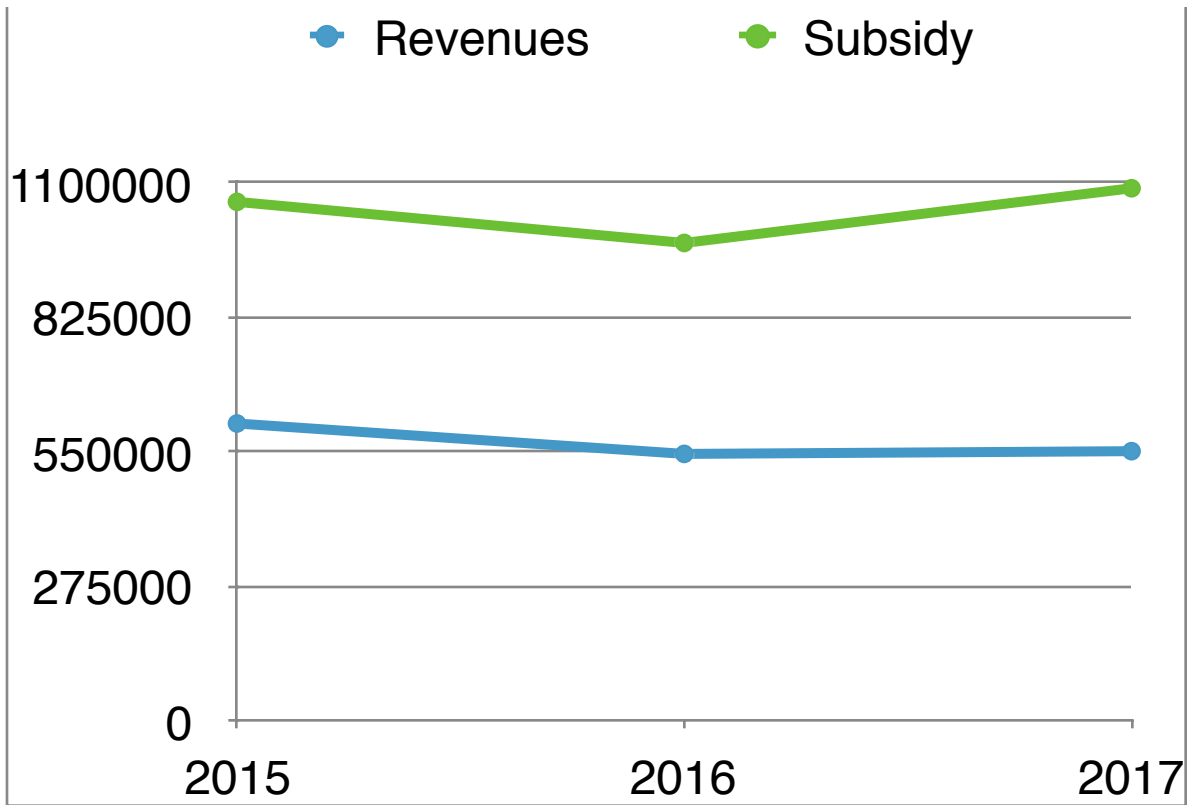


The backup spreadsheets show the wet and dry tonnage produced by the plant each year, as well as some other technical data.

Sewer	2015	2016	2017
<b>Revenues</b>	\$608,901	\$546,783	\$552,361
<b>Expenses</b>	\$1,670,398	\$1,524,331	\$1,641,641
<b>Net Cost to Taxpayers</b>	(\$1,061,497)	(\$977,548)	(\$1,089,280)

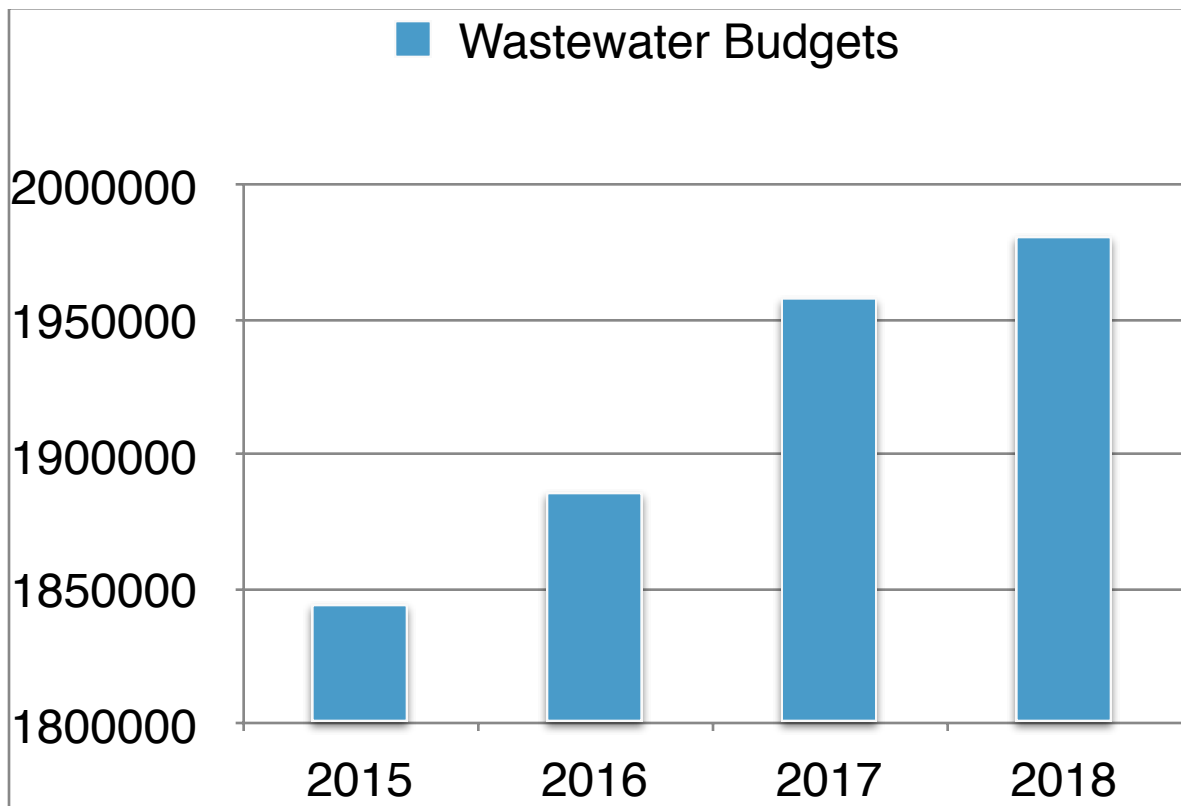
Sewer Flows	2015	2016	2017
<b>Sewer Flows (Million Gallons)</b>	240.90	234.44	254.61
<b>Biosolid Wet Tons</b>	1676.30	1497	1796
<b>Dry Tons</b>	218	199	247

These numbers show an increase of 8.6% in flows into our system, but a very slight increase in revenue of 1%. Historically our wastewater rates have been very low. As we look to the future even the very modest operating budget increases since 2014 continue to erode our position, and increase the taxpayer subsidy, since we are not adjusting rates annually. The below graphic is just another way of looking at those numbers, but shows how flat the revenue stream is, and how wide the gap is between the numbers. Closing the gap between those numbers can not occur simply by going to the expense side, but must look at the revenue side to make up the preponderance of the subsidy.



Here are the Wastewater Department approved budgets, with the 2018 number being approved by the Budget Committee, and before the voters in March.

Year	Budget
2015	\$1,844,704
2016	\$1,886,453
2017	\$1,957,935
2018	\$1,981,373



In the four years highlighted above the Wastewater Department budget has grown by 7.4%, which amounts to a 1.85% increase on an annual basis. Included in that would be the collective bargaining agreements funded by this budget for the Fiscal Years 2015, 2016 and 2017. At less than 2% per year growth the operating budget has been held lean, and does not lend itself to large savings on the cost side of this equation.

The numbers cited in this report have centered around the “operating budget deficit” when referencing the so called “taxpayer subsidy.” The story is larger than that, as the “taxpayer subsidy” discussed has omitted capital, which is a large part of the overall cost of running this Department. As our plant ages the capital required to modernize and upgrade equipment will be significant. Let us look at the capital spending approved by voters over the past four years, and what is being requested in 2018.

Year	Sewer Capital Spending
2014	\$42,000
2015	\$62,000
2016	\$96,700
2017	\$60,000
2018 (proposed)	\$745,600

The average for the four years is \$65,175, and you can see the spike in the 2018 request, driven by the necessity of doing the Route 286 outfall pipe, which accounts for \$480,000 of that very high number. When you add capital spending into the mix the “taxpayer subsidy” to Wastewater rises significantly, and that impact is poised to rise even further in the years to come.

As mentioned above the Board of Selectmen have directed both Superintendents and the Town Manager to bring additional water and sewer data flowing from the rate study being conducted to them, and intend to bring forward a discussion of this issue to the citizens of Seabrook.