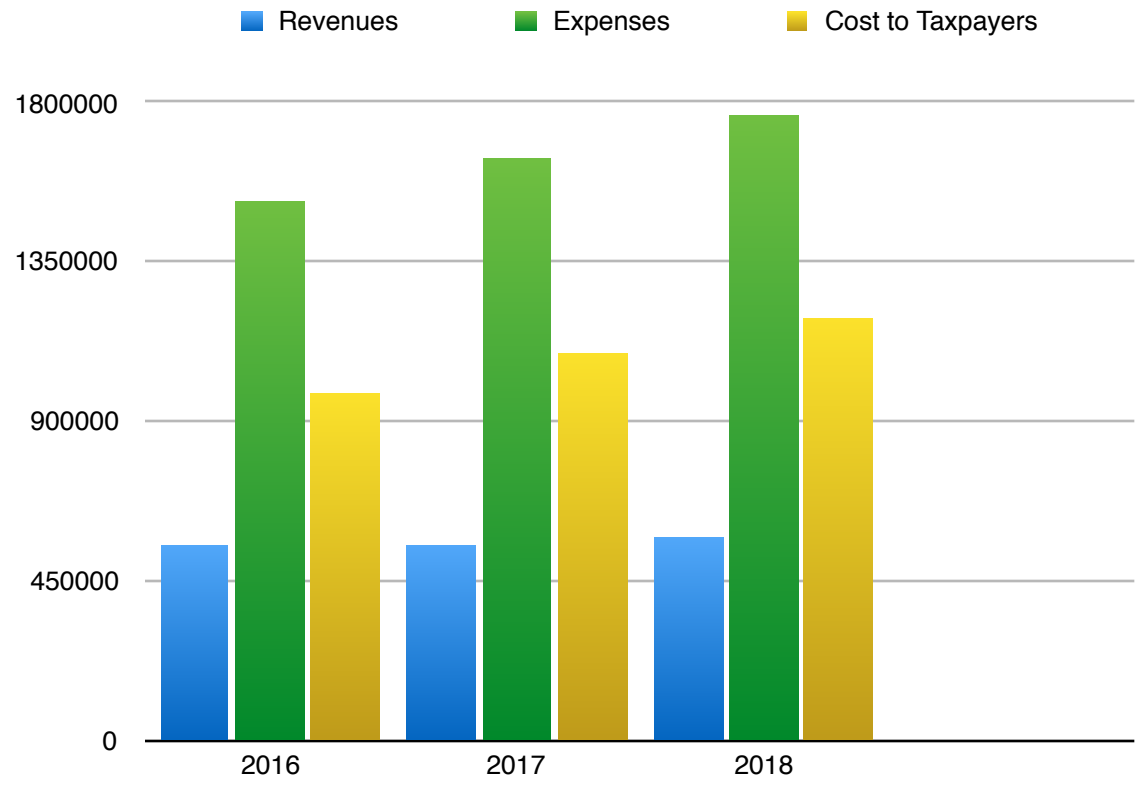
This report, on sewer finances and flows, was first submitted to the Board of Selectmen four years ago, and will be submitted annually. It differs from the water system report in that we are not able to break down the sewer flows to the same level of detail we do with the water report. My report will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

The numbers show the problem that faced the Seabrook Board of Selectmen before the water and sewer rate increases implemented on January 1, 2019. In 2018 the taxpayer subsidy to the Wastewater Division amounted to over $1 million dollars. ($1,188,726) That is an increase of 9.1% over 2017. The 2017 subsidy was an increase of over 11% over 2016. In this department the taxpayer subsidy has been climbing steadily. Overall flows increased by less than 1%, while revenue was up by 4.2%.

When combined with the taxpayer subsidy in our Water Department the total budgetary impact, in dollars, is $1,829,697. Using $22,903,403 as a baseline budgetary number the sewer deficit is 5.1% of our total budget, a slight increase from last year. When combined with water the combined deficit is 8% of our total budget, a slight decrease over last year.

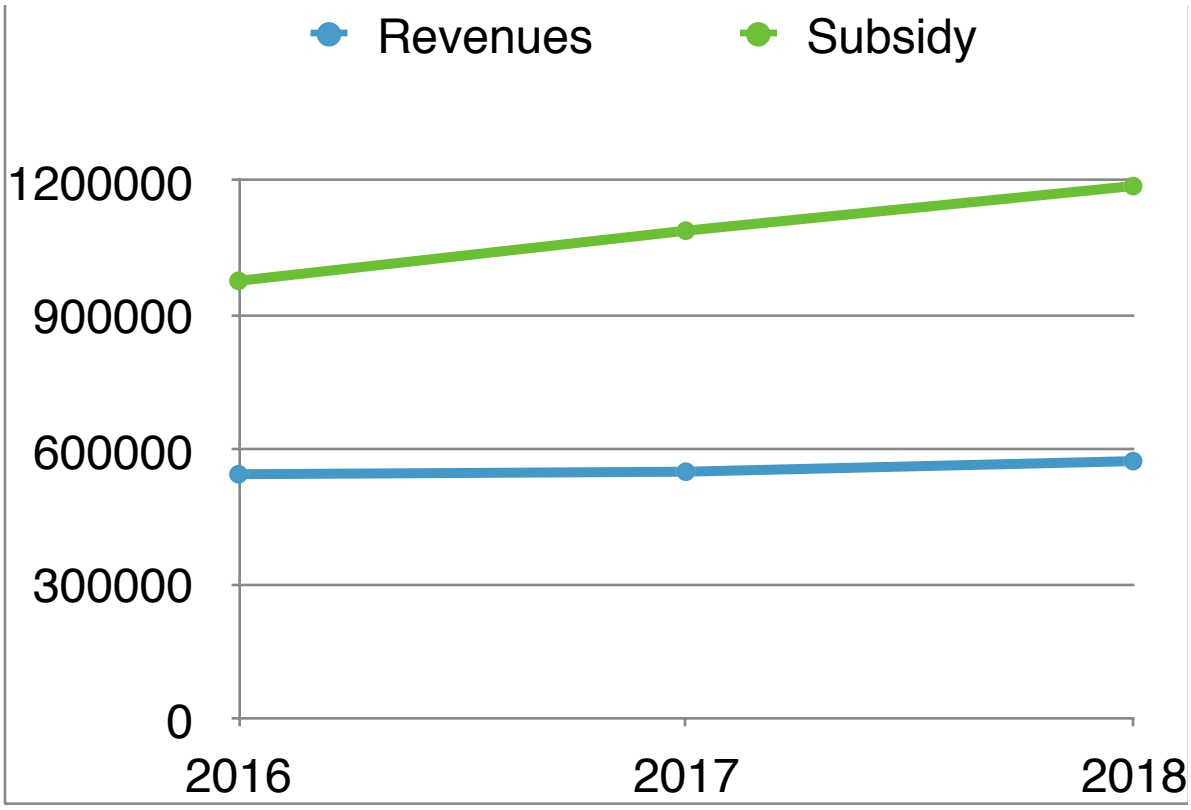


Sewer	2016	2017	2018
Revenues	$546,783	$552,361	$575,940
Expenses	$1,524,331	$1,641,641	$1,764,666
Net Cost to Taxpayers	($977,548)	($1,089,280)	($1,188,726)

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

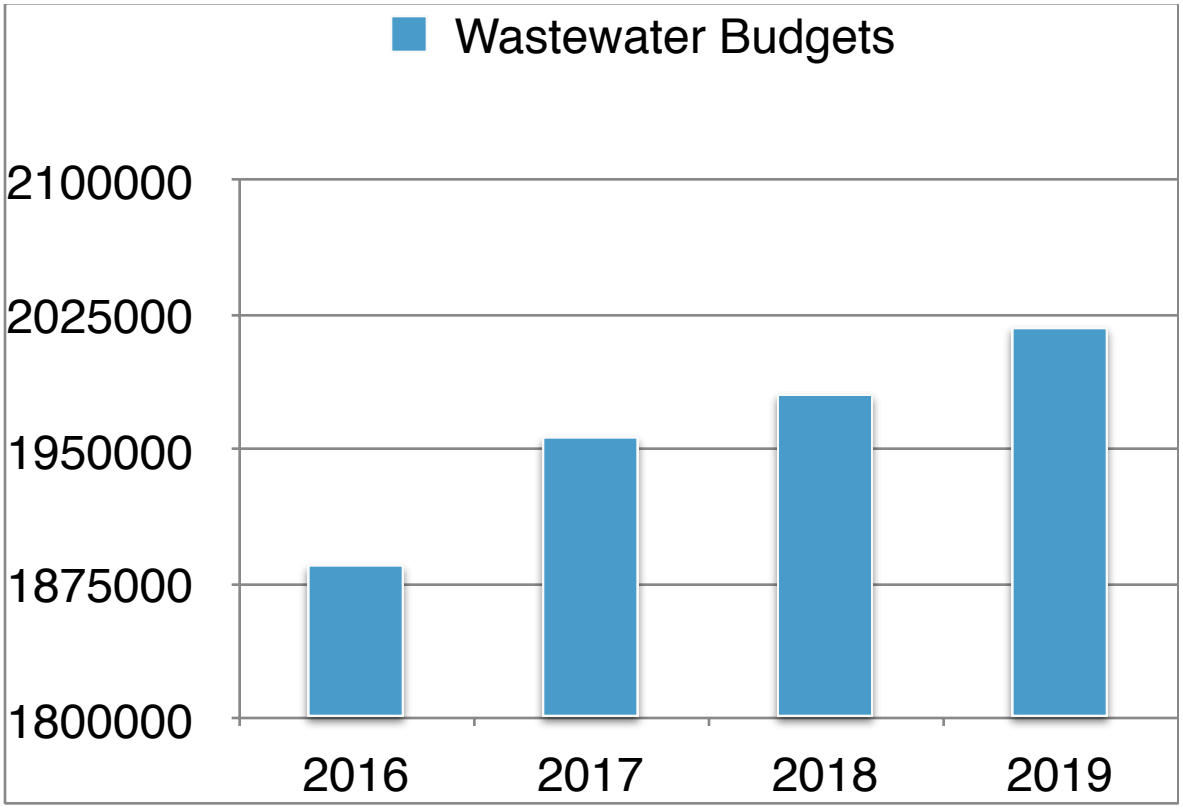
Sewer Flows	2016	2017	2017
Sewer Flows (Million Gallons)	234.44	254.61	256.35
Biosolid Wet Tons	1497	1796	1827
Dry Tons	199	247	256

These numbers show essentially flat flows, with plant capacity being used at 39%. The below graphic is just another way of looking at those numbers, but shows how flat the revenue stream is, and how the subsidy continues to grow. The action taken by the Board in raising water and sewer rates, the first increase since 2012, should lead to a closing of this wide gap in 2019.


Revenues
Subsidy
1200000
900000
600000
300000
0
2016
2017
2018

Here are the Wastewater Department approved budgets, with the 2019 number being approved by the Budget Committee, and before the voters in March.

Year	Budget
2016	$1,886,453
2017	$1,957,935
2018	$1,981,373
2019 (proposed)	$2,018,443



In the four years highlighted above the Wastewater Department budget has grown by 6.9%, which amounts to a 1.72% 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 2019.

Year	Sewer Capital Spending
2015	$62,000
2016	$96,700
2017	$60,000
2018	$524,000
2019 (proposed)	$75,000

The average for the four years is $185,675, with the average spiked by the 2018 number, with the sewer outfall project being included in that number. The 2019 number is a drop from the prior years request but has been held artificially low by the deferral of some requested projects. 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 discussed in the water report discussion of the inclusion of capital in the system pricing may be ripe for discussion.