

VEAZIE SEWER DISTRICT

34 HOBSON AVENUE

VEAZIE, MAINE 04401

942-1536



Town of Veazie
3-12-14

Dear Mark:

At last night's sewer district meeting we reviewed a draft budget for our upcoming fiscal year.

Historically, the District has assessed the Town a portion of its operating costs, which then became part of the Town's property tax assessment. For many years the Sewer District designated what the funds received from the assessment to the town would be applied to. This was done somewhat last year as the funds were used to overcome a shortfall on paying the MMBB (Maine Municipal Bond Bank) but has not been defined for several years prior.

With our new rates in place we are accruing money to meet the MMBB annual commitment. This is the \$31 per quarter debt service fee that was increased under the new rate structure from \$25 per quarter. These funds are being transferred on a quarterly basis into a dedicated reserve account to accrue the required funds for debt service payment.

The District is now also working to replenish reserve accounts, which were depleted for use as operational funds. This is the (\$10) fee added to the new rate structure. These funds are being transferred on a quarterly basis to a dedicated reserve account at a rate of approximately \$36,000 per year. The Sewer District policy has also been changed to require a board vote to use and transfer any of these funds from the reserve account.

The estimated capital reserve requirements have been reduced from what was about \$380,000 and to a current target of \$340,000. The reserves are comprised of anticipated Plant Upgrades at \$80,000; Sludge removal reserve at \$85,000 and Collection System upgrades at \$175,000.

Using only the capital portion of user fees will require nearly 10 years to rebuild these reserve levels to the recommended level, which represents an unacceptable level of risk given the required work in the next few years on sewer mains that need to be replaced. Utilizing an annual assessment to the town of

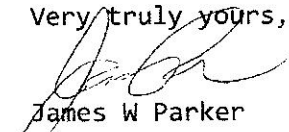
\$60,000 for the next 4 years combined with the capital fee (\$36,000 per year) would return the capital reserves to appropriate levels by approximately 2017. There is one additional liability of \$36,500 that has been approved and incurred by past trustees and was not funded by past trustees. This liability is the "sick leave buy back benefit" where past employees are reimbursed for unused accrued sick leave at time of discontinuation of employment. This policy no longer exists at the District but the past liability must be met.

The Trustees voted last night to assess the Town for 2014 a total of \$96,500 made up of \$60,000 to go to the capital collection system reserve account and \$36,500 to be applied to the "sick time buy back".

At this time we also anticipate that the assessments for 2015, 2016, and 2017 will be \$60,000. The District does however reserve the ability to revisit and if necessary revise the assessment for 2015, 2016, and 2017 either up or down depending on the current budgets for those years.

The Trustees are encouraged that costs for operating the Sewer District are starting to be reduced and that the assessment which was running \$150,000 per year has been reduced (last year) to \$110,000; this year to \$96,500 and headed toward \$60,000 or less in the following three years.

Very truly yours,



James W Parker
Treasurer