

DENNIS WATER DISTRICT

Joint Meeting

Board of Water Commissioners and District Finance Committee

Minutes of Meeting held

April 6, 2009

A meeting, having been duly posted, was held this date at the main offices at 80 Old Bass River Rd., S Dennis. The meeting was called to order by Edward A. Crowell, Chairman at 3:32 PM. Water Commissioner Paul F. Prue and Charles F. Crowell were present along with the following District officials:

David Larkowski, Superintendent
Sheryl A. McMahan, Clerk & Treasurer
Attorney Thomas J. Perrino.

Also in attendance: Candidates for Water Commissioner Peter McDowell and Brad Crowell

Mr. McDowell was recognized by the Chairman and asked if Attorney Perrino's response was in writing. He suggested that responses from legal counsel and the specific questions or issues asked should be in writing because citizens should have access to the opinions and that they be provided in writing. He felt that the enabling legislation that created the District is very narrow.

Attorney Perrino stated that the enabling Act for the District sets forth specific authority to do drinking water. The Act grants very specific authority for certain things but also grants very broad authority to the Water Commissioners. He opined that the District's investigation of wastewater was within the scope of the Act. There was continued debate regarding this authority. There was also a discussion as to how the District became involved in the early investigation of wastewater management issues. Mr. Prue stated that the main reason why the District was involved was to save money by having control of it rather than have the County do it.

Mr. McDowell said that he believed it was appropriate for the District to do wastewater should it be necessary. His concern was that the District does not currently have the authority to undertake what is being contemplated with the sewer evaluation study. He also was of the opinion that the Massachusetts Estuaries Project (MEP), which the District has participated in for four years, does not refer to drinking water quality. Yet, he stated that he did not want to debate that part of the issue. He stated that it is known that there are problems in Yarmouth. He felt that it was not legal to spend the kind of money for the purposes intended at this time. He suggested that the Board of Water Commissioner wait until the pending legislation is passed.

Mr. Prue stated that although he felt that it was appropriate to conduct the environmental studies necessary to render an informed decision as to what may need to be done in terms of wastewater management, the District has the luxury of waiting until the MEP reports are published before we taken any additional steps. Chairman Crowell asked if there has been anything done previously that would create any legal trouble for the District. Attorney Perrino responded that the Board has confined the activities to just investigation within the scope of articles previously approved by the voters. He said there is some gray area within the District enabling authority and it was a part of

how far did the Board want to push it and where would they draw the line. He considered it a policy decision. Ms. McMahon advised that there was sufficient funds remaining in from unexpended appropriations for wastewater studies to fund a fifth year of water sampling on the proposed reduced schedule. Mr. Larkowski estimated the cost at \$13,000. On a motion made by Paul F. Prue, and duly seconded, the Board **UNANIMOUSLY VOTED: to rescind its prior vote to raise and appropriate funds for wastewater management for FY 2010.**

Ms. McMahon, having anticipated that the Board may wish to rescind its prior votes to raise any new funding for wastewater management activities for FY 2010, provided the Board with revised Operating & Maintenance Budget. The revisions suggested were to eliminate the part time administrative staff person and not allocate 1/3 of the Treasurer's salary to wastewater management. The result would be an increase in the O & M budget to \$3,109,480. On a motion made by Paul F. Prue, and duly seconded, the Board **UNANIMOUSLY VOTED: to revise the recommend an Operating & Maintenance Budget to \$3,109,480 by rescinding the re-organization of the administrative staff.**

Ms. McMahon also provided a revised Capital Expenditures Budget that reflected the elimination of appropriations for wastewater environmental studies or engineering evaluations. This would negate the need to raise any property tax revenue for the District in FY 2010. On a motion made by Paul F. Prue, and duly seconded, the Board **UNANIMOUSLY VOTED: to revise the proposed Capital Expenditure Budget to \$208,500 by rescinding any new appropriations for wastewater management.**

Ms. McMahon provided a revised Budget Summary FY 2010 sheet to the Board. The Summary reflects the changes voted during the meeting and she is prepared to distribute the revisions to the Finance Committee when they meet jointly with the Board.

The District Finance Committee joined the meeting in progress at approximately 4:00 PM. Chairman David Talbott called the meeting to order. Those in attendance were Kate Byron, John Shea, Greg Stone and James Plath. Chairman Talbott welcomed Mr. Plath to the Committee. Mr. Plath was appointed by Moderator William E. Crowell, Jr. to fill the unexpired term of Charles E. Chamberlain, Jr. (2011).

On a motion made by Kate Byron, and duly seconded, the Finance Committee **UNANIMOUSLY VOTED: to elect David Talbott as Chair.**

On a motion made by John Shea, and duly seconded, the Finance Committee **UNANIMOUSLY VOTED: to elect Kate Byron as Secretary.**

On a motion made by Kate Byron, and duly seconded, the minutes of April 3, 2008, and January 15, 2009, were accepted as presented.

Chairman Talbott then called for a motion on the Revenue Budget for FY 2010. There was a discussion on cellular antenna leases as FY 2010 shows a reduction. Mr. Larkowski explained that as cellular carriers are merging, they have duplicate sights and therefore, when the five-year renewals come up they are relinquishing the sites.

A motion was made to table the motion on the projected water rates and estimated revenue. The motion was seconded and the Committee **UNANIMOUSLY VOTED: to table the Revenue Budget until the end of the Budget review.**

A request was made to include a percentage column on the Budget Summary Sheet.

A motion was made by John Shea to approve the Operating & Maintenance Budget of \$3,109,480 for FY 2010. The motion was seconded by Kate Byron. Mr. Larkowski explained that the wages proposed reflect a two percent increase. Ms. McMahon further explained that the increase is actually based on the average of all but the three highest compensated employees, multiplying that by 2% and the result is what is distributed to each employee rather than a true 2% increase on the individuals pay. This has been an informal past practice and policy of the Board for many years. The discussion continued with a review of the line items in the Operating & Maintenance Budget in which large increases are anticipated. Mr. Larkowski and Ms. McMahon reviewed items such as energy, chemicals for treatment and employee benefits. Mr. Larkowski attributed the increase in the Tractor expense due to the installation of approximately five miles of main. It was considerable wear and tear on existing equipment. It was noted by the Chairman that much of the explanation substantiating the requests are in the budget book. Ms. McMahon admitted to an error in the calculation of the Stations Duty line item not corrected in previous years. Increases in the Group Insurance were due to retirements and anticipated switches from single to family coverage.

There was a brief discussion regarding the Bonus line item at \$36,000. Chairman Crowell explained that, although bonuses are somewhat unusual in towns, his Board believes in rewarding outstanding performance of employees when it is appropriate. He said that what has been accomplished by the District staff was unique. Mr. Larkowski distributed a worksheet illustrating the ways in which the District found ways to save money on the project to keep it affordable for the ratepayers. They worked to find the most cost efficient design not only for construction but for long-term maintenance. They also designed the two facilities to be identical. One major cost savings was not having to engineer the water mains. The District staff also installed the variable frequency drives that were required by the project. As a comparison the Cape Light Compact installed some variable frequency drives a while back at an average price of \$17,000 each. We paid \$2,400 for the drives and about \$1,100 for installation. These are some of the savings that would not otherwise be realized. If we were to have resident oversight, it would have cost \$85 per hour. We assumed the responsibility as the OPM. By scrutinizing the design plans, Mr. Larkowski estimated over \$600,000 in engineering costs. In terms of updates to the SCADA, it was originally built in house and we anticipate saving \$75,000 by doing it all for the two treatment plants. The employees received compensation at prevailing wage rates during the regular workweek and on the overtime. The employees qualified to work on the project have worked nearly a whole year of 6-day weeks in order to keep on schedule. Mr. Plath asked if the payment of bonuses was legal. Ms. McMahon responded by stating that so long as there is a legal appropriation. Chairman Talbott concurred with the Board's decision to award bonuses and to hold the salaries for the Superintendent and Treasurer for the next fiscal year. With no further discussion, Chairman Talbott called for vote, which was **UNANIMOUS.**

A motion was made by John Shea to approve the General Expenditures Budget of \$1,391,977 for FY 2010. The motion was seconded by Greg Stone. Discussion ensued. Ms. McMahon noted the increase in the Insurance Expense was due to covering the two treatment plants once they are turned over by the contractor to the District and for an increase in the value of the buildings here at 80 Old Bass River Road. She stated that there may be an additional increase next year due to a review on the value of the various pumping and treatment stations throughout the District. She also explained that the District will begin repayment of the principal on the Massachusetts Water Pollution Abatement Trust Loan (2%) in July 2009. The original financing plan was to have an interim loan through the first year and then begin repayment the following year of approximately one half (\$4 million) and then the balance the following fiscal year. The schedule was accelerated due to the speed of the project and the collapse of the bond market last fall. She further explained that, although the repayment is based on the entire \$8.6 million, whatever is not distributed from the bond proceeds will be reduced in the amortization schedule next year when the project is complete. Ms. McMahon advised the Committee that the Finance Reporting will include an actuarial evaluation of the Other Post Employment Benefits for the District as required by GASB 45. It is a countywide contract and will save the District thousands of dollars in auditor's fees.

There was some discussion regarding how the filters will be maintained at the new treatment plants. Mr. Larkowski explained that the way the system was designed, there is no need to have extra pumps and tanks because it is a pump-through-system. He stated that in approximately ten years the media will have to be replaced. He also noted that there are quite a large number of valves involved in the filtration process and they will need service work each year. With no further discussion, Chairman Talbott called for vote, which was **UNANIMOUS**.

A motion was made by John Shea to approve the Capital Expenditures Budget of \$208,500 for FY 2010. The motion was seconded by Kate Byron. Discussion ensued. Mr. Larkowski explained the capital maintenance of the north side water tanks will require pressure washing. He noted the passing of Mr. Norm Buldoc, who was retired from Whitman & Howard (later Earth Tech) and a specialist on water tanks who worked as an independent inspector in recent years. He stated that it will be necessary to hire an engineer to make the evaluations and inspections of the two tanks. He noted that the Hokum Rock Tank is 130 feet high and the Old Bass River Tank is 190 feet high.

Mr. Larkowski explained the purpose of the Emergency Response Plan and that the District has contracted with different engineers for different projects. AP Associates had provided the services for the initial report developed in response to the September 11 attack. He stated that there are new rules that have to be incorporated. The study will also include a tabletop exercise to familiarize the staff with the procedures in the event of various types of emergencies. He noted that the Town of Spencer had an over treatment of chemicals which caused customers to be burned. Although, fail-safes have since been installed, even the best equipment cannot overcome the erratic behavior caused by lightning strikes, as an example, and employees expected to respond should have the information available on the best practices for public safety.

Mr. Plath asked about the vehicle replacement practices or policies. He asked about the mileage on the trade-ins. Mr. Larkowski explained that, although some trucks may have low mileage,

they are used in concentrated stop-and-go work all day long that creates a lot of run time without necessarily adding miles. Mr. Shea concurred by saying that some machines can experience a lot of usage without putting on a lot of miles to show for it. Mr. Larkowski shared the experience with one of the trucks last year that “blew-up” and was traded at junk value. With no further discussion, Chairman Talbott called for vote, which was **UNANIMOUS**.

A motion was made by Kate Byron to approve the transfer of \$130,00 of “Free Cash” to supplement the F 2009 Budget. The motion was seconded by John Shea. Discussion ensued. Mr. Larkowski noted that the line item for Treatment Chemicals will be in deficit at year-end due to the unprecedented increase to more than \$5.00 per gallons for potassium hydroxide. Potassium Hydroxide is used to raise the pH of the drinking water. Although the District can deficit spend among the line items in the Operating & Maintenance Budget because it is voted as a lump sum amount at the annual meeting, he believes the amount may cause the total O & M budget to be in deficit. The additional appropriation will only be used to fund the purchase of potassium hydroxide and any unused amounts will be returned to the general fund at year-end. With no further discussion, Chairman Talbott called for vote, which was **UNANIMOUS**.

Ms. McMahon reviewed the proposed increase in the water rates for FY 2010. It was noted that the major reason for the increase is to fund the debt service for the two treatment plants. On a motion made by John Shea, and duly seconded, the Finance Committee **UNANIMOUSLY VOTED: to approve a total Revenue Budget of \$4,839,956 for FY 2010 that included a transfer of \$589,975 from “Free Cash”.**

Chairman Crowell congratulated Mr. Talbott on chairing the Finance Committee meeting and on a motion made by Kate Byron, and duly seconded, the Finance Committee **UNANIMOUSLY VOTED: to adjourn at 5:45 PM.**

On a motion made by Charles F. Crowell, and duly seconded, the Board of Water Commissioners **UNANIMOUSLY VOTED: to adjourn at 5:46 PM.**

Respectfully submitted,

Sheryl A. McMahon, Clerk