

DENNIS WATER DISTRICT

Board of Water Commissioners

Minutes of Meeting held

September 26, 2022

A meeting, having been duly posted, was held this date at the Stone Hearing Room, Dennis Town Hall, 685 Route 134, South Dennis and called to order by Peter L. McDowell, Vice Chair at approximately 10:03 AM. Water Commissioners Paul F. Prue, Chair (attending remotely) and Robert M. Perry were present. Also present were David Larkowski, Superintendent and Sheryl A McMahan, Treasurer.

The Pledge of Allegiance was recited.

Public Information: None

Discussion regarding Bond Anticipation Note issued 9/8/22 and the possible issuance of Permanent Bonds.

Ms. McMahan advised the Board that the District paid a \$1.63 million bond anticipation note (BAN) on September 8, 2002. Bids were received for a \$1.435 million BAN. The difference was \$195,000 in principal that was paid. This represents 10% of the original principal borrowed for two land acquisitions. Ms. McMahan reminded the Board of the District's outstanding borrowing authorization for \$725,000 painting of the Old Bass River Tank. She introduced Lynne Foster-Welsh with Unibank Financial Services.

Ms. Welsh had distributed a power point presentation to the Board. She began by identifying terms such as BANs and Bonds and how they relate to the current interest rate environment. BANs are usually issued for a one-year term or less depending on the par amount of the note. They can be certified by the Department of Revenue (DOR) or large ones (\$2 million or more) can be issued with full disclosure, a legal opinion and a rating. BANS are flexible in that they can be renewed for up to 10 years which provides flexibility. Mandatory payments of 10% of the principal must be made following the second BANs maturity. BANs are subject to changes in interest rates because they are short-term. Factors considered in deciding which financing option varies in each case. Small issues are not cost effective to put a note out on the market with full disclosure, a legal opinion and a rating. The DOR provides an option to certify small issued notes which is what the District did recently. Cash flow is always a consideration when determining financing. Knowing that there was \$725,000 to be financed next spring. Interest is always a consideration but the purchaser profile is also part of the decision making process. Most small notes certified by DOR are purchased by local banks that hold them in their portfolios. Larger notes are usually bought by underwriting firms. Ms. Welsh advised that her discussions with Ms. McMahan included looking at the current outstanding BAN of just over \$1.4 million and the cost of issuance in the interest cost in a rising-rate environment. What is the delta? The cost of issuance on a recent \$2.2 bond issuance was approximately \$40,000. Mr. Perry asked if rolling over a BAN, until such time that a \$40,000 issuance cost on a longer term bond, would be more prudent. Ms. Welsh confirmed and said that on the buy-side they prefer \$100,000 lots or more. It is how the market works. Smaller annual par values are more difficult to sell. The discussion will come after the tank painting project is complete and a decision will need to be made on whether or not it is better to renew the notes and avoid the bond market altogether, or issue the bonds because the cost of issuance and interest rate cos the most cost effective.

Ms. Welsh said this will be a fluid discussion in terms of how the District will proceed with renewing notes or going into bond market; taking into consideration benefits of permanent finance versus

continually renewing notes which has an interest rate risk, or perhaps note. There was a brief discussion regarding projected bond rates. Mr. McDowell asked what the timeline was for making the decision between issuing bonds or BANS. Ms. Welsh noted that the determining factor will be how much the District needs to borrow for the tank project, if anything. If there is no additional borrowing needed, she would easily recommend rolling over the BAN due to the cost of issuing bonds. There was a consensus that going forward the Treasurer will continue to advise the Board in advance of having to make a decision regarding the means of borrowing. Ms. McMahon advised that the contract for the tank project came in considerably less than anticipated and that will be a significant part of the discussion when it comes time to decide between rolling over notes or issuing bonds. Ms. Welsh advised that issuing bonds is about a 3-month process. Ms. McMahon said she would make a greater effort to advise the Board further earlier in the decision making process than what recently occurred. The Board extended their appreciation to Ms. Welsh for attending.

Update: Old Bass River Tank Painting Project

Mr. Larkowski reported that the bids for the Old Bass River Tank Painting Project had been received. Of the six bids, Dynamic Sandblasting and Painting, LLC of Edgartown, NJ was the lowest responsible bidder. Each Board member had been provided with a canvas of the bids received. The project involves the interior and exterior. The exterior paint contains lead so there has to be staging erected to contain the removed material. The cell phone equipment on the tank will have to be temporarily removed. He advised that the District has \$675,000 in cash appropriated and another \$725,000 in a borrowing authorization. The budgeted amount for the contract was approximately \$1.2 million. The lowest bidder was \$780,000. The highest bidder was at \$1.8 million. There will be an inspector on the job 100% of the time. The Superintendent, along with the engineering consultant and the tank inspector visited a site where the contractor was working and concluded that he has the experience and equipment to do the job. He had provided an updated breakdown of the project costs which totaled \$999,000 with an anticipated borrowing of \$324,000.

Mr. Larkowski advised that he and the Treasurer have been putting together a grant funding request to Barnstable County for American Rescue Plan Act funds available. An initial round will determine applicability of the application. Those approved will move to another round of the application process. He was uncertain as to when the final decision on funding will be made.

Update: Water Levels and Water Conservation Restriction

Mr. Larkowski noted that this is the end of the summer and pumping demand has decreased dramatically. Seasonal meters are now being scheduled including Town accounts. Looking back at the water levels this summer, the essentially mirrored last year. The odd/even mandatory watering did help, particularly with the tank drops that occur in the early morning hours when irrigation systems came on. He estimated that 50% to 60% of customers honored the restriction, but there were many that just watered a lot. Citations were printed and the process was in place to go out and issued tickets for violations. Despite drought conditions, the lack of water doesn't normally make a difference in the groundwater levels during the summer anyway. He said that he did not because doing so was a huge effort and would have taken away from existing work. If the District had been in dire straits, it would have been necessary.

He noted that the Brewster USGS monitoring well is no longer available to observe on-line. It was used considerably by the District to monitor conditions. Ms. McMahon thought that perhaps the site was being redone and they were having problems with the new website. Mr. Larkowski said he would try to find out and advise the Board.

Superintendent's Report

Mr. Larkowski had nothing further to report.

Treasurer's Report

Ms. McMahon had distributed to the Board the Final Fiscal 2021 Audited Financial Statements by Roselli, Clark & Associated. She reported that it had ben pleasant working with them and most of the documents are done through shared filing sites. She recounted the days the auditors were at the District and some of the processes reviewed. She noted that the new firm made a correction in the financial statements regarding the District's OPEB (Other Post-Employment Benefits) Liability which indicates a more favorable position for the District. She advised that they will be returning in October to undertake auditing Fiscal Year 2022. She has scheduled Roselli, Clark & Associates to present and review both the FY 2021 and 2022 with the Board at their meeting in November.

Minutes of July 28, 2022

On a motion made by Robert M. Perry and duly seconded, the Board ***UNANIMOUSLY VOTED: to accept the minutes of July 28, 2022. Vice Chair McDowell then called for a voice vote which was found to be as follows:***

Robert M. Perry "aye"

Peter L. McDowell "aye"

Paul F. Prue "aye"

10:56 PM - Executive Session: Mass. General Law Ch. 30A, Sec. 21(a), Reason #3: To discuss strategy with respect to the litigating position of the public body and the chair so declares and Reason #4. To discuss the deployment of security personnel or devices, or strategies with respect thereto.

A motion was made by Robert M. Perry to go into Executive Session in accordance with Mass. General Law Ch. 30A, Sec. 21(a), Reason #3: To discuss strategy with respect to the litigating position of the public body as the chair has so declared and Reason #4. To discuss the deployment of security personnel or devices, or strategies with respect thereto and not to return to open session. The motion was seconded by Peter L. McDowell. Vice Chair McDowell then called for the voice vote which was found to be as follows:

Robert M. Perry "aye"

Peter L. McDowell "aye"

Paul F. Prue "aye"

Clerk's Noted: The Executive Session was adjourned at approximately 11:26 AM.

Respectfully submitted,

Sheryl A McMahon, Clerk