

# **DENNIS WATER DISTRICT**

## *Board of Water Commissioners*

Minutes of Meeting held

November 11, 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 10:00 AM. Water Commissioners Paul F. Prue (attending remotely) and Robert M. Perry were present. Also present were David Larkowski, Superintendent and Sheryl A McMahon, Treasurer.

### **Public Information - None**

### **Roselli, Clark & Assoc. to review FY 2021 and FY 2022 audited financial statements and management letters.**

Ms. McMahon introduced Don Piatt and Tony Roselli from the auditing firm of Roselli, Clark & Associates. She reminded the Board that this firm was under a three-year agreement. With the completion of FY 2022 the District is current with its auditing obligations. Mr. Roselli reviewed the background of their firm and are well experienced having done municipal work for approximately thirty years. Municipal auditors are required to perform the audit in accordance with GAGAS (Generally Accepted Government Accounting Standards), review internal controls, risk assessments and provide a clean or qualified opinion. A “clean” opinion means that the auditor did not find anything material significance that would raise a concern or prevent them from providing the financial statements as compiled. He reported that cash, receivables and all pertinent records were reconciled prior to the audits and no exceptions were noted. He particularly noted that the financial team was courteous, knowledgeable and accommodated an efficient process to complete the two audits in 75 days.

Mr. Piatt reported that that revenue has been consistent, with the exception of FY 2021. The revenue is well supported by the water revenues billed and collected. Long term obligations are the Net Pension Liability and the Other Post-Employment Benefit (OPEB) Unfunded Liability. The Pension Liability is about \$2.3 million and had decreased about half a million dollars from the prior year. It is approximately 75% funded which is a little better than the state average. State law requires that the retirement systems be fully funded by 2040 and it appears that Barnstable County may meet that requirement. The OPEB Liability is about \$2.7 million and increased by approximately \$100,000 due to a change in the discount rate applied to investments and a loss of about \$30,00 in investments. District’s OPEB liability is about 12% funded which is in-line with the District’s peer group. Mr. Piatt suggested that the District may want to consider additional funding to reduce the liability in the future.

Another area reviewed was the cyber security risk and recommended that the District be diligent in reviewing and modifying the processes and procedures to minimize risk. He also recommended on-going review of internal procedures to reduce fraud risk. In terms of investments, the District had approximately \$4.5 million in cash or cash equivalents at year-end. US Treasuries are earning about 4% meaning that \$1 invested would earn \$40,00 in income.

In regard to observations, Mr. Piatt recommended that the District consider undertaking a formal rate study. It is important to take a long-range view of the rate structure taking into account long term liabilities and particularly capital needs that will be over the next 10 to 20 years. He said that Ms. McMahon has many policies and procedures for processes, however, he recommended that all of them

be collected into one document as a manual for training or absences. Under segregation of duties he acknowledged that in a small organization with a small number of staff is often very difficult.

Mr. McDowell asked about the 100% funding necessary by 2040. Mr. Piatt said that the \$2.3 million for the pension is a number developed by an actuarial valuation on an annual basis. The District contributes to the pension system which is considered an asset and the amount being paid in benefits is the liability. The difference is the unfunded portion when the assets are insufficient to meet the obligation. Ms. McMahon explained that the unfunded liability for the pension system was accumulated over years by not funding the 'normal' costs for benefits being earned by current employees. This same situation applies to the OPEB unfunded liability as the District did not set aside funds in past years to meet its future obligation to pay health insurance benefits for its retirees.

Mr. Perry commented that every organization that has this obligation and has to consider how best to fund it. He also commented on the reasons to have a rate study and that it can help convey to the ratepayers why the rates being assessed are set as they are.

Mr. Roselli advised the Board that he and Rockland Trust would be presenting a webinar on November 30<sup>th</sup> regarding Treasury yields and extended an invitation to the Commissioners to join in if possible. Ms. McMahon will forward the details of the webinar to the Board members. Mr. Roselli said that some communities are waiting until their pension systems are fully funded and then move that funding to be applied to the OPEB unfunded liability.

Mr. Perry asked about the credit rating that was lacking for so many years as reported in the Financial Statements. Mr. Piatt explained that the District has not been rated for many years because it has not issued long-term bonds that needed to be rated for the market.

#### **Leak Abatement Request: Chase Garden Creek, LLC, 586 Route 6A, Dennis,**

Ms. McMahon reviewed the request of Chase Garden Creek, LLC the owner of property located at 586 Route 6A. The District has advised the owner that there was a large usage recorded on the meter. The Assistant Superintendent met the owner at the property and determined that there was a leak between the main building and another building. The leak was in a crawl space between the buildings but not underground. Ms. McMahon had provided the Board with the leak abatement calculation. The Board's Leak Abatement Policy stipulates that it only applies to underground leaks. A minor repair was made at the site in order to stop any further water loss and the owner was advised to undertake a comprehensive inspection of the water lines and make any further necessary repairs. Mr. Larkowski said that it was his opinion that it did not meet the requirements of the policy. ***On a motion to not approve the application for the Leak Abatement was made by Paul F. Prue. It was seconded by Robert M. Perry. The Chair then called for the roll call vote which was found to be as follows:***

***Paul F. Prue "yes"***

***Robert M. Perry "yes"***

***Peter L. McDowell "yes"***

#### **Update on American Rescue Plan Act (ARPA) grant application with Barnstable County**

Mr. Larkowski had distributed the response from Barnstable County that rejected the grant request for ARPA funds. The Board had requested that the County provide the Board with a list of those entities that had been approved to move forward in the grant application process. The County did provide us with the District's scoring sheet. Entities had to have a rating of 60 in order to move forward in the

process. The District's score was 26. He said that entities that were proposing regional projects were rated highly. Since there are essentially no municipal water suppliers that would have a "regional" project. The County has already given the Town of Dennis a lump sum of more than \$600,000. It seemed to him from the criteria for scoring it was design to support their own projects. Mr. Prue said that Yarmouth sold water to the Barnstable or Hyannis Water District. Ms. McMahon said that that was not an actual shared regional project. Mr. Perry said that when the County advertised for applicants, one type of entities noted was water districts. He also noted the resistance by the County to provide the list based on legal reasons.

### **Superintendent's Report**

Mr. Larkowski advised that the Old Bass River Tank project was originally slated to begin in the Spring. The contractor is from New Jersey and has recently completed a project in Marlborough and rather than move the pipe-staging back to New Jersey, they plan on bringing it to the tank and erecting it later this month or early December. He said that actually having it erected sooner is very helpful and will enable T-Mobile to relocate their equipment sooner and not under as much urgency as it would be in the spring. The staging will be up over the winter. The actual sandblasting and painting has been ordered. Paint is having a supply-chain issue so we are hopeful that the paint will be here in time to begin the project on time. Mr. McDowell asked about the impact that having the cell companies' equipment be relocated will have on the cell service provided. Mr. Larkowski assured the Board that when the switch happens cell customers will not be aware.

### **Treasurer's Report**

Ms. McMahon advised that the meter reading has started a few weeks early in order to have all of the readings collected and data ready to be transferred to the new water billing system in order to have the February water bills done there. There will also be a new bill-pay site available for customers and much more in keeping with how most pay sites now work. This will provide a much better customer experience. She did say that the project is very time-consuming and she may not be able to keep up with everything she normally does and gave an example that just one of the schedule conference calls for tomorrow with the implementation is three hours. She said they might think of her as the single point of failure for the project. She also noted that she is probably the single point of success because, as she has noted previously, there is no software support for the current system.

### **Minutes of October 27, 2022**

Mr. Perry asked about the Muni-Link annual cost for the new software at \$71,000. Ms. McMahon said that the \$71,000 includes the data transfer, training and the first year's maintenance. She estimated that the annual cost thereafter will be between \$50,000 and \$55,000. Invoice Cloud will host the payment portal for collecting customer payments using credit/debit cards and other electronic means. There will eventually be a cost savings as the District moves away from PeopleGIS and use the new system for all work orders on tablets and have just one system.

***A motion was made by Robert M Perry to accept the minutes of October 27, 2022. The motion was seconded by Paul F. Prue. The Chair then called for the roll call vote which was found to be as follows:***

***Paul F. Prue "yes"***

***Robert M. Perry "yes"***

***Peter L. McDowell "yes"***

## Adjournment

*At approximately 11:15 AM, a motion was made by Robert M Perry to adjourn the meeting The motion was seconded by Paul F. Prue. The Chair then called for the roll call vote which was found to be as follows:*

*Paul F. Prue “aye”*

*Robert M. Perry “aye”*

*Peter L. McDowell “aye”*

Respectfully submitted,

Sheryl A McMahon, Clerk