

# **DENNIS WATER DISTRICT**

## *Board of Water Commissioners*

Minutes of Meeting held

September 25, 2014

A meeting, having been duly posted, was held this date at the 90 Bob Crowell Road, South Dennis and called to order by Paul F. Prue, Chairman at 6:00 PM. Water Commissioners Charles F. Crowell and Peter L. McDowell were present. Also in attendance was Sheryl A McMahon, Clerk & Treasurer

### ***Public Comment - None***

### ***Review FY 2013 Financial Statements and Management Letter with auditor Joseph McGee, CPA of Sanders Walsh & Eaton***

Mr. McGee stated that the audit financial statements and accompanying letter represents a “clean” audit which means that outside entities reading the statements can be assured that the statements materially represent the financial transactions and condition of the District. The audit examines the books and records of the District. They are inspected, reviewed and confirmed by tests and are confident that the internal controls are good and that there is adequate supervision and safe guards in place to protect the District’s assets. He stated that it had been a good year financially with a strong balance sheet of approximately \$44 million which is comprised mostly of the District infrastructure.

Mr. McGee reviewed the letter to the Board which represents a formal communication in which the firm identifies any discrepancies it may have had with management, or such things as access to records and files. He assured the Board that everything was provided in a timely manner by management. Included in the letter were some observations and comments which he reviewed with the Board. One issue that is gaining a lot of attention is the inclusion of the unfunded liability for Other Post Employment Benefits (OPEB) on the balance sheet. Previously it was included as a note to the financial statements. The next question is to determine how best to address the liability. There is nothing to require funding at this time. As of June 30, 2013, the liability was approximately \$839,000 and will continue to grow until funds are applied. The risk is without addressing it the bond rating companies will begin to view it as a risk and it could affect municipal bond ratings. Establishing an irrevocable trust is the preferred method of dealing with reducing the unfunded liability.

Mr. McDowell asked if there was an appropriate place in the audit for identifying the per hour cost for individual employees on an annual basis that would include all costs and future obligations. Ms. McMahon said that she has done that type of analysis before in order to establish labor rates although admittedly it has not been reviewed lately as the overall budget has not risen significantly in the last several years. There was further discussion regarding the current funding of the pension unfunded liability which is on an amortized schedule. It was noted that for funds appropriated to be used to off-set the unfunded liability, it has to be in an irrevocable trust not just reserved funds. There was a short discussion about how the Trust funds could be invested. Ms. McMahon noted that there is a state-wide pool dedicated to investing municipal funds for OPEB trust funds that could garner significantly high yields than individual municipalities. The District owes an estimated \$869,000 of future OPEB benefits that will increase by approximately \$200,000 annually. Ms.

McMahon advised the Board that there was nothing to require that the District fund the \$869,000 accumulated liability but, it may be beneficial to begin paying the annual OPEB obligation of \$200,000 above the regular pay-as-you-go appropriation and that perhaps, in the future, there may be an opportunity to transfer additional funds to help reduce the accumulated liability.

It was also noted in the auditor's letter a recommendation to have dual signatures for check writing. There was a consensus of Board that this was not necessary. Ms. McMahon stated that it is her policy that all checks of \$2,000 or more are hand signed by her. There are only three full time staff members that could co-sign checks. There are no provisions in the statute that authorize the appointment of an assistant treasurer for the Districts. There was a consensus among the Board members that there were sufficient safe guards currently in place that having a co-signer for checks was not necessary.

There was a brief discussion regarding the statutory requirement that municipal funds cannot be held in instruments that exceed one year. Mr. McGee noted that there were no investments held as of June 30, 2013. The one year restriction is meant to mitigate risk. There was a brief discussion regarding cash flow. Ms. McMahon noted that there was a significant cash requirement in July for the payment of debt service, county retirement assessment and insurances.

There was a follow-up discussion regarding the development of written policies and procedures. The auditor has noted in the management letter written documentation of the accounting and financial policies and procedures is a tool for management as well as for assuring compliance with best practices.

### ***Clerk/Treasurer's Report***

Ms. McMahon noted that the most significant event to transpire since the Board last met with the printing and mailing of the water bills. A bulk mail provider is now used for both printing and mailing. She noted that there had been a lot of positive comments about the *Main-Line* newsletter. In particular, customers appreciated the article pertaining to the solar farm at the capped landfill. There was a brief discussion regarding home-owner leaks. Ms. McMahon stated that any account that uses 250,000 gallons or more in a billing cycle appears on the exception report, even those accounts that regularly use that amount of water or more. She noted that readings for the vast majority of customers, on a six-month cycle-to-cycle basis are read within two weeks of the prior reading. If there is a missed reading and the time discrepancy and the difference will adversely impact the customer's normal billing, a pro-rated reading is used. Leaks in the system appear in the total amounts that is pumped. The difference between what is used and water is billed is typically referred to as "unaccounted for water". However, the Superintendent does track and record to the extent possible water that is used for flushing, major fires, draining water tanks for maintenance, etc.

Ms. McMahon provided the Board with a water consumption analysis which included the most recent August billing. The most current five-year average deviates from what is being used for estimating the water consumption revenue by less than 3% (839,192,000 estimated vs 863,170 actual billed). She further noted that an historical five-year average from 1991 through 1995 was 800,050,800 gallons billed. This an increase of 5% in the span of about 20 years.

## ***Review Draft Request for Proposals for Developing Policies and Procedures Decide on Invitation for Bid or Request for Proposals***

Ms. McMahon conveyed to the Board that after reviewing their meeting in July, she realized that there was a lot of discussion involving the procurement process of the hiring a consultant but, there was little discussion on the scope of work that was outlined in the draft request for proposals (RFP). Following her review of the discussion, it was her recommendation to issue the request as an invitation for bid (IFB). The IFB process would require the Board to set the minimum qualifications for an individual or firm to be accepted as being responsive and then to award the contract to the lowest bidder. In the RFP process, the bids would be first evaluated based on a ranking of the most advantageous bidder and then, once the best proposal(s) were selected, the price proposals would then be opened. Based on a response provided by the Inspector General's office, the Board can interview the lowest responsive bidder but, it cannot be part of the evaluation process. The interview can be used to ensure the bidder's understanding of the scope of work to be provided in accordance with the specifications in the IFB. Chairman Prue confirmed that this scope of work is the same as was identified in the auditor's most recent management letter.

Chairman Prue asked if there was another means of obtaining the written policies and procedures. Ms. McMahon advised that she had a master's degree in public administration but, it came down to a question of available time to undertake this project. She said that if this were to be her assignment, she would develop a timeline to set a target for completing the various disciplines and this would enable the Board to evaluate the progress of the project. She further noted that some of these were actually policies that the Board will need to review and adopt an example being the undesignated fund balance retention (also known as "free cash"). Mr. McDowell has previously raised the issue about the "what if" the Treasurer is no longer here. He expressed that he would have a comfort level in the time frame that it would take to accomplish this project. There was a consensus among the Board members to have the Treasurer prepare an outline to achieve the project at their next meeting.

## ***Authorize advertising of Request for Proposals for leasing cellular antenna space on Route 28 water tank (to replace Metro PCS) and set minimum annual lease payment.***

Ms. McMahon explained that Metro PCS has been purchased by another carrier and although the District has not received formal notification, it is anticipated that Metro PCS will be vacating its existing contract soon. Currently, Verizon is the carrier that is interested in assuming the site. The Superintendent was requesting that the Board vote to authorize the issuance of an RFP for another carrier to assume the site. It was her understanding that Mr. Larkowski was requesting to set the minimum lease payment for the first year at \$32,000, which was the first year's lease payment for the current Metro PCS contract. On a motion made by Peter L. McDowell, and duly seconded, the Board ***UNANIMOUSLY VOTED: to authorize the Superintendent to issue a request for proposals upon formal notification by Metro PCS of a contract termination and to set the minimum first-year lease payment equal to the current contract's annual lease payment (rounded).***

***Minutes: July 24, 2014***

On a motion made by Charles F. Crowell, and duly seconded, the Board ***UNANIMOUSLY VOTED:***  
***to accept the minutes of July 24, 2014 with future minutes to have the paragraph containing the***  
***names of the Commissioners and District officials to be continuous and not have them listed***  
***separately.***

On a motion made by Peter L. McDowell and duly seconded, the Board ***UNANIMOUSLY VOTED:***  
***to adjourn the meeting at 7:07 PM.***

Respectfully submitted,

Sheryl A McMahon, Clerk  
Dennis Water District