

DENNIS WATER DISTRICT

Board of Water Commissioners

Minutes of Meeting held

January 25, 2018

A meeting, having been duly posted, was held this date at the Dennis Police Station, 90 Bob Crowell Road, S Dennis and called to order by Paul F. Prue, Chairman at 6:00 PM. Water Commissioners Peter L. McDowell and Alan Tuttle were present. Also in attendance was David Larkowski, Superintendent and Sheryl A McMahon, Treasurer.

The Pledge of Allegiance was recited.

Public Information

FY 2017 Audit Review (includes 6-30-2016 OPEB Actuarial Valuation) Joseph McGee, CPA of Sanders Walsh & Eaton.

Mr. McGee distributed a 2017 Audit Summary, the “governance letter” so called and a recap of his intended presentation. He stated that the outside firm has the same “clean” opinion as in previous audits. It is an expression to the outside world that the books of the Dennis Water District materially represents the financial transactions. There is consistence of controls, the accounting and internal controls are there so as they go through the process they are able to confirm, reconfirm, recalculate, test and sample a number of different auditing procedures that are applied to the various categories such as assets, liabilities, receipts and expenditures. The financial statements belong to the Board and they contain a lot information. He commended the Board on the financial performance of the organization. He noted that at the beginning of the year there was \$3.4 million in cash and at the end of the year there was \$4.2 million. An increase of about \$800,000. There is a statement of Cash Flows within the audited financials. He noted that these are strong statements. The balance sheet is very strong with \$45 million in capital assets of which about \$39 million is in the infrastructure. Approximately \$10 million is being carried as liability of which \$5.6 million is debt service. What is new is the Other Post-Employment Benefits (OPEB) liabilities are now on the balance sheet. GASB 74 is relatively new and moving the industry towards more of disclosure of unfunded liabilities and requiring them to be on the balance sheet instead of just being notes to the statements. This puts more light on these items for the reader (general public, bond rating agencies, etc.) and will put all municipalities on a level playing field. Mr. McDowell inquired about the “governing letter” which is a formal communication between the auditing firm and the Board. It is intended to inform the Board of any issues or obstacles the firm may have had with management, comments and recommendations. It had been provided to the Board in their meeting materials. Mr. McDowell asked about the statement of cash flows which is contained within the Financial Statements. Mr. McGee advised that various tests are done on the financial transactions to ensure that they are properly recorded and that systems are in place.

Consider voting to authorize the Chairman to sign the “representation” letter addressed to the auditors and dated December 28, 2017.

Ms. McMahon requested that the Board vote to authorize the Chairman to sign the “representation letter” that is addressed to the auditing firm that states that, to the best of the Board’s knowledge, all materials, records and such have been disclosed and made available to the auditors in order for them to conduct the audit. Mr. McDowell asked that if a member of the Board signed the letter does that

relieve the auditing firm from all of the items that is listed in the letter. He wanted to know, with the Chairman's signature on the letter, what was it actually achieving. Mr. McGee said that the responsibility of management is to make sure that auditing firm has access to all available information. Mr. McGee said that this is a formal communication that confirms all the information was disclosed. On a motion made by Alan Tuttle, and duly seconded, the Board **VOTED 2-1-0: to authorize the Chairman to sign the representation letter dated December 28, 2017.**

Consider Review, Revisions and Recommendations for Job Descriptions by Robert C. Lawton, Jr.

Copies of Mr. Lawton's report had been previously distributed to the Board members. Mr. Lawton thanked Ms. McMahon and Mr. Larkowski for their assistance and participation in the review process having met twice. Mr. Lawton advised that all of the descriptions have been reviewed and adjusted. They all have the same format and information contained within them. He removed the Grade and Step references as they are not being used. The salaries and wages were moved to a separate sheet as it will be easier to modify in the future. He researched the "at will statement" and reported that it is not uncommon for this to be included in job descriptions. He recommended that it be included in all non-union descriptions and he left the statement up at the front of the description. He said that the statement protects the employee and the District. Superintendent's job description was reviewed in detail. Some adjustments were made. One was to separate the educational requirements and license requirements.

The essential duties were fine-tuned and clarifications were made to the interactions with the Treasurer/Clerk. On the Treasurer/Clerk's description was also reviewed in great detail. Mr. Lawton explained that task of human resources (HR), insurance and technology (IT). He said these were increasing responsibilities and it was important to identify those. Language was added to clarify the Clerk's role in elections by citing Chapter 59 of the Acts of 2010. Language was added to the Treasurer's section to clarify the role on collections, billings and liens. The position has a large number of responsibilities. He further stated that if the responsibilities continues to grow, especially in the areas of HR, IT and insurance, at some point the Clerk/Treasurer may come to you and ask that some of that be reassigned or add someone to take some of those responsibilities just because there is so much going on, especially in HR. He said that many towns separate HR departments as it is becoming increasingly complicated.

He recommended that if the Board was satisfied with the descriptions that it *accept* the job descriptions for all of the positions other than the Superintendent and Treasurer and that it *adopt* the job descriptions for those two positions. He explained that for the management positions they report to the Board and if there were to be a change in the descriptions it would be the Board that would make those changes. On all the other employees, changes in their descriptions would normally be made by the Superintendent or Treasurer and the Board wouldn't need to be involved. Accept the job descriptions for staff and adopt the Superintendent and Clerk/Treasurer. Mr. Lawton assured the Board that if Ms. McMahon were to leave he observed that the staff clearly understands what their duties and responsibilities are, forgetting about the job descriptions, and it is through the guidance Sheryl has given to them in writing and verbally. The purpose of the job descriptions is to enable the Board to use it for hiring a new person. Things are well organized and division of duties is well management and have done cross trained and their staff is extremely working together very well. Mr. McDowell is concerned that if Ms. McMahon were no longer in the position that there would be a void that would be difficult to fill.

Mr. Lawton said that in his observations, things seem to be well organized, division of duties seems to be appropriate. He said some of the employees he met seemed very dedicated and that the District is really lucky to have good employees who are willing to do more than what it says in the job

descriptions. He said that both managers have cross-trained people really well. He said the two managers work very well within their own scopes and work together on things that need to be.

On a motion made by Peter L. McDowell, and duly seconded, the Board ***UNANIMOUSLY VOTED: moved to accept the descriptions other than those of the Superintendent and Clerk/Treasurer.*** On a motion made by Peter L. McDowell, and duly seconded, the Board ***UNANIMOUSLY VOTED: moved to adopt the descriptions of the Superintendent and Clerk/Treasurer.***

Mr. Tuttle requested a copy of an organization chart which Ms. McMahon said she will provide.

First Review of Proposed FY 2019 Budget

Revenue Budget – Ms. McMahon advised that the revenue is based on a 5-year average. Unless there was a need to change the rates, she recommended that the revenue estimates. The tank rental income needs to be reviewed in lieu of the new Verizon contract. Ms. McDowell requested more detail information regarding the Net Metering Credits that are received from the Town of Dennis.

Operating and Maintenance Budget – Mr. Larkowski discussed the \$50,000 increase in Electricity due to the increase in cost. Previous power purchase contract expired late last year around the time of the Houston hurricane when the shut the oil refineries down. The District's cost then was 8.2 cents per kWh. The current price is .112 cents per kWh is the current price. He has seen contract rates at 13, 14 and 15 cents per kWh. Currently the District is on a floating rate. He said that right now is not the best time to be entering into a longer-term contract and will be looking to possibly locking in a price in the spring.

Considering that most line items were level funded from the prior year, only those items that had significant changes were reviewed. Ms. McMahon stated that the County Retirement Assessment is essentially a fixed cost. In the County system, the District represents between 4.5% and 5% of the entire system. She said that with somewhat better investment returns, we have not been seeing as large increases as we have in the past. She noted that the assessment includes funding the accrued unfunded pension liability.

A decrease in the Uniform Expense of \$2,800 was noted. Another round of testing for unregulated contaminants is creating an increase in Water Quality Expense. Testing under the Unregulated Contaminants Monitoring Rule Phase 4 will span two years. These are tests for types of pesticides, toxins, etc., that have not been tested for previously. Perchlorate was a contaminant that was discovered to be very prevalent in a previous UCMR round and now testing is done every year. An increase of \$17,000 is estimated for FY 2019. If contaminants are detected they are reported in the Consumer Confidence Report. Out of 1,200 bacteria samples tested in 2017 only 7 positive detections were reported.

Although no increase is proposed for the Repairs and Maintenance line item, he noted that the entire budget is only \$95,000 because of the type and scope of work we do in-house such as electrical, chemical, pumps, variable frequency drives, etc.

Overall, there is as proposed 2% increase in the Operating and Maintenance Budget (\$65,832) of which \$50,000 is for electricity and \$17,000 for water quality.

Payroll was reviewed. The Superintendent and Treasurer are proposing a 2% Cost-of-Living Adjustment based in part on the 2% COLA for Social Security benefits and the 2% COLA the Town of

Dennis employees will be receiving (contractual). It was noted that the COLA is applied to the average hourly wages (not including the Superintendent and Treasurer) and then that standardized per-hour increase is applied to everyone (\$.56). Ms. McMahon was requesting a \$.50 per hour increase for two of the most recent hires siting their outstanding work in their respective positions. The managers proposed a 3% increase in their salaries as it was noted that they did not seek an increase for FY 2018. It was noted that the COLA for Social Security is generally used as a guideline for approving COLA increases for staff but, there have been a few years where the increase deviated.

Ms. McMahon asked to review the Group Insurance line item even though no increase was proposed. Rates set by the Cape Cod Municipal Health Group (CCMHG) were as follows: dental – no change, life – no change, all health plans – 6%. She noted that if every participant stays in the same plan, there would be a decrease of about \$3,000 so she was recommending to level fund the line item. It was further noted that the budget is passed prior to open enrollment so it is difficult to predict changes that may occur in plan selection. When asked by Mr. Tuttle, she confirmed that she was unaware of any governmental unit on the Cape that did not belong to the CCMHG.

General Expenditures – Ms. McMahon noted that the most recent audit concluded was the last of a three-year quote and she would be seeking quotes for future audits. She noted that the current cost was \$11,100 compared to the auditing firm that does the Town of Dennis at \$18,000 to \$20,000. The budget is \$14,000 in anticipation of annual OPEB valuation reporting. She noted considering that the District voters appropriated funds to the OPEB Trust, the Board needs to adopt a Trust Agreement and an OPEB Investment Policy. It was agreed to have OPEB Trust on the next Board agenda.

Ms. McMahon said she may be able to adjust the Insurance Expense (not group health) when the carrier provides an updated estimate.

There was no update available on the status of the land damage suits that are still pending. Ms. McMahon noted that in previous debt schedules the final year, FY 2023 of one loan had been omitted and is now included.

Overview discussion regarding Capital and Special Articles

The Superintendent was requesting a \$150,000 appropriation for Cleaning Wells and Pump Repairs, down \$50,000 from the current year. He reported that ten wells were cleaned last year and that they were in a good position to maintain the program at the requested amount.

This year, Mr. Larkowski was requesting an appropriation of \$400,000 for Water Distribution System Maintenance and Extensions. He is concerned about the condition of the distribution system and that gate valves and hydrants need to be replaced due to their age. There have been a number of situations where main repairs have to be made and they are unable to shut down the mains because the valves are not working. Mr. McDowell was concerned and asked about checking and testing hydrants and gates before replacing them for much more money. He said that before we start ripping them apart we should find out if they work or not. The Superintendent responded by saying that the older fire hydrants are simply the ones that are not working right now. This money is not enough to do a replacement program but, would probably be enough to satisfy our immediate situation with known gates and hydrants that are not working. This would not be a random replacement program. He also wanted to be able send in cameras into mains to actually document their condition in intersections in a meaningful survey. It is \$5,000 per day to investigate. He felt it wasn't worth the money to tell me the condition which he already knows. He readily knows dozens of intersections that need to have been done. Mr. McDowell suggested, and if it made sense, to putting extra money in the budget to hire some firemen to go out and

test hydrants. Mr. Larkowski felt that the current appropriation would be a start to address those areas that are not working and re-assess at a later date to see if it would be worth hiring a contractor to do some of the work or a vendor to assess the condition of the system.

Mr. Larkowski is proposing to replace a service truck. It is a Ford F-350. He reminded the Board that the other F-350 service truck's engine failed and had to be replaced. He wants to replace this truck with what is known to be a problem before it happens. It is a 2007 and it has 65,000 to 70,000 miles but, it has more hours on it. He also proposed to auction the used truck on-line as has been previously done successfully.

No construction equipment is being requested. A \$6,000 place-holder was included for Miscellaneous Equipment with a list to be submitted at the next meeting.

No tank washing and maintenance funds were requested as there is an approximate balance of \$150,000 available. He advised that this spring they will be power-washing the Route 134 tank. He would like to empty that tank and do an internal inspection but will not be able to until after the new tank in West Dennis is on-line.

In regards to Green Sand Replacement, there was a discussion about the media replacement in the vessels in the iron treatment plants. The media was tested and although the size has changed it is still in good shape. He did not expect to have to do another test on the media for probably another five years. It is considered to be on tract for replacement at the end of its 15-year life cycle (2024). The Superintendent expected it to cost about one-half million dollars to replace.

The Superintendent was requesting \$600,000 to complete the new tank construction and to remove the old tank. He reported that there is no work going on currently but, as soon as the weather breaks they will continue with the installation of the internal work, including painting. He anticipates the tank will go on-line as expected by the end of May. The total appropriation was \$4 million. So far \$3,000,000 in available funds has been transferred to the project.

Ms. McMahon advised that last year the voters appropriated \$67,168 to funding OPEB Trust Fund. The amount represented the normal cost taken from the funding schedule. With funding the normal cost it is at least funding the future benefit being accrued by current employees for the District's share of their health insurance premiums. Ms. McMahon was proposed \$70,000 as an appropriation to the OPEB Trust Fund.

Several months ago the Town Administrator and Water Department Superintendent from Brewster attended the Board's meeting to ask for the District's participation in partnership acquisition of approximately 27 acres on the Brewster/Dennis town-line. Mr. Larkowski explained that this property is adjacent to approximately 60 acres of open space that the District participated in with Brewster and acquired a watershed conservation restriction. It is within 900 feet of Well 12 and 1,200 feet of Well 10. It would be adjacent to 320 plus acres that the District owns. Chairman Prue said that one of the benefits would be that it would allow the District to develop a well right up to the Brewster/Harwich line. The Superintendent confirmed that the District would need to own or control (Zone I) a 400 foot radius around a new well. Mr. McDowell asked how much Brewster has contributed to the District's acquisition of land. Brewster's watershed for public water supply does not cross into the Town of Dennis. They are purchasing it for open space. The District would be a direct beneficiary of this land being in permanent conservation. Brewster is applying for state grants and the Brewster Conservation Trust is participating as well. Mr. McDowell expressed that he had no sympathy for this.

Ms. McMahon said that paying for a new tank with cash is great but, there are almost no reserves left. She is proposing a transfer of \$100,00 from Free Cash to the Stabilization Fund.

Ms. McMahon reviewed the Budget Summary which included all items as drafted and presented this evening as well as the Elected Officials Salaries of \$7,956. Hypothetically, if everything had been approved it would have left unexpended \$367,016 (Free Cash). She said that \$400,000 is about her comfort level for leaving funds available. The Board has no written policy about Free Cash reserves.

Superintendent's Report

Mr. Larkowski reported that due to the severe cold there had been three water main breaks. In front of the cemetery on Route 6A there were two water services that had to be repaired. He explained that there is a duct bank that runs on the northern side and that Verizon had poured concrete around the water services. The District tends to pull the old service line across the street rather than shout a mole so when it was pulled the concrete broke away and Verizon detected the drop in air pressure.

A class is being scheduled for District operators on perchlorate which is a product of disinfection with chlorine. It isn't a problem but, it does happen and operators will learn how to deal with it. It is a four hour class and with the state's approval they will get credit hours towards their operator licenses.

There was a brief discussion regarding the extension of the water withdrawal permit. He was hopeful that the limit would be

Treasurer's Report

Ms. McMahon advised that the water bills for the July through December water usage would be sent to the printer tomorrow and would be mailed on February 1, 2018 if not sooner. Copies of the newsletter were included in the Board's packet. She noted that it was their 5th newsletter. She advised that the billing would be approximately \$90,000 under the estimated \$2,451,242 for the Fiscal Year. Last year the water usage billed was approximately \$538,812 more than estimated.

Minutes

On a motion made by Peter L McDowell, and duly seconded the Board ***UNANIMOUSLY VOTED: to accept the minutes of December 28 with corrections.***

Adjournment

On a motion made by Alan Tuttle, and duly seconded the Board ***UNANIMOUSLY VOTED: to adjourn the meeting at 7:55 PM.***

Respectfully submitted,

Sheryl A McMahon, Clerk