

# DENNIS WATER DISTRICT

## *Board of Water Commissioners*

Minutes of Meeting held

Jointly in part with the

## *District Finance Committee*

March 22, 2012

A meeting, having been duly posted, was held this date at the Dennis Town Hall, 475 Main Street, South Dennis. The meeting was called to order by Paul F. Prue, Chairman at 5:30 PM. Also in attendance were Water Commissioners Charles F. Crowell and Peter L. McDowell and the following District official:

Sheryl A McMahon, Clerk & Treasurer

David Larkowski, Superintendent

### **THE PLEDGE OF ALLEGIANCE WAS RECITED**

### **PUBLIC INFORMATION & COMMENT**

Mr. McDowell noted that the cleaning and painting of the Old Bass River Tank is being done by the Superintendent and his staff. He commended Mr. Larkowski for this undertaking and the savings that will inure to the District rate payers.

### **CUSTOMER ISSUES:**

A letter from Mary Ann G. Eldred requesting consideration of high water usage due to leak after the meter at 1483 Route 6A, East Dennis was reviewed by the Board. The Board has a very narrow policy in granting leak abatements. The leak must be underground to qualify. The leak at this property was in a crawl space. On a motion made by Peter L. McDowell, and duly seconded, the Board ***UNANIMOUSLY VOTED: not to grant the request of Mary Ann Eldred for consideration on a water bill for 1483 Route 6A, East Dennis.***

### **CONSIDER PURCHASE OF .46 ACRES OF LAND AT 878 OLD BASS RIVER RD, DENNIS.**

Thomas Kelley has inquired of the Board to see if the District be interested in acquiring a .46 acre of land adjacent to the Old Bass River Tank. It is currently assessed at \$130,000. The parcel does not lie within the Zone II of contribution and there is no need for the property. On a motion made by Charles F. Crowell, and duly seconded, the Board ***UNANIMOUSLY VOTED: to advise Thomas Kelley that the Board did not find that the acquisition of this parcel would not meet any District need and thank him for bringing the parcel to the Board's attention.***

### **DISCUSS PLACING ARTICLES ON ANNUAL DISTRICT MEETING WARRANT**

The Board members then discussed the following draft articles for placement on the Annual District Meeting Warrant which concepts had been voted by majority vote at the February 9, 2012 meeting. Mr. Crowell read the following draft article:

*To see if the District will vote to authorize the Board of Water Commissioners to convey a parcel of land to the Town of Dennis for road improvements, located on the northerly corner of Airline Road and Route 134,*

*containing 1.08 acres, more or less, and shown on a plan of land entitled "Definitive Subdivision Plan of Land in Dennis, Massachusetts, Prepared for the Town of Dennis, Scale 1"=40', Dated March 30, 2011, by Fay, Spofford & Thorndike, LLC," and further, to authorize the Board of Water Commissioners to request that special legislation be filed with the Massachusetts Great and General Court in accordance with Article 97 of the Massachusetts Constitution for the purpose of the article, or take any action relative thereto.*

On a motion made by Charles F. Crowell, and duly seconded, the Board VOTED: 2-1-0 (PLM) to place the article on the Warrant.

On a motion made by Peter L. McDowell, and duly seconded, and the Board **UNANIMOUSLY VOTED: to place on the Annual District Meeting Warrant the following article:**

***To see if the District will vote pursuant to General Laws Chapter 32B Section 21 to authorize the Water Commissioners to implement changes to health insurance benefits pursuant to Chapter 32B Sections 22 and 23, as applicable, or take any action relative thereto.***

There was a discussion regarding votes of the Board in support of the passage of articles that are placed on the District Warrant. In the Town, it is the Finance Committee that publishes their recommendations to the voters. Ms. McMahon noted that for the past several years, the Finance Committee's booklet to the Town Meeting Voters has included the recommendations of the Board of Selectmen. She further noted that the District Finance Committee recommendations and those of the Water Commissioners are included in the Warrant because the District's warrant is fairly short and simple.

On a motion made by Charles F. Crowell, and duly seconded, the Board **UNANIMOUSLY VOTED: to support the passing of the article to implement the changes to health insurance plans in accordance with Chapter 32B, Section 21.**

### **CONSIDER AMOUNT TO APPROPRIATE TO EMPLOYEE INSURANCE MITIGATION FUND FOR FY 2013**

Ms. McMahon explained that the newly implemented changes in the employee health insurance statutes allows for municipalities to establish and fund an Employee Health Insurance Mitigation Fund based on a maximum of 25% of the anticipated savings between the old insurance plan designs and the new plan designs that will come into effect July 1, 2012. She stated that it is a one-time appropriation to establish the fund. It is not necessary to decide the plan now, just to establish the total fund.

On a motion made by Peter L. McDowell, and duly seconded the Board **UNANIMOUSLY VOTED: to fund an Employee Health Insurance Mitigation Fund for FY 2013 in the amount of \$15,783.25** representing 25% of the anticipated savings to the District as a result of the group health insurance plan design changes.

## **CONSIDER TRANSFERING \$150,000 FROM “FREE CASH” to STABILIZATION FUND**

Based on a recommendation made by Chairman Prue in anticipation of future capital projects, and on a made by Peter L. McDowell, and duly seconded, the ***Board UNANMOUSLY VOTED: to place an article on the Annual Warrant to transfer \$150,000 to the Stabilization Fund.***

## **CONSIDER VOTING AN INTERMUNICIPAL AGREEMENT NET METERING CREDIT ALLOCATION AGREEMENT BETWEEN TOWN OF DENNIS AND DENNIS WATER DISTRICT**

Mr. Larkowski provided an overview of the Intermunicipal Agreement between the Town and the District for the purchase of net metering credits resulting from an allocation of 3 megawatts of solar power between the District and the Dennis Yarmouth Regional School District. The District will pay .0599 per kwh in order to purchase the net metering credits generated by the solar farm (to be installed on the closed landfill). It is a 20-year agreement. It is expected that this phase of the project will be completed by the end of this calendar year.

Mr. McDowell said that he has reviewed the agreement and expressed, “that it scared the hell out of me!” He noted that Dennis Solar (DS) is a limited liability corporation not chartered in Massachusetts with no contract provision for default by it, while on the other hand there are very specific sections defining defaults by both the Town of Dennis and Dennis Water District including penalties. He said provisions require that we purchase net metering credits beginning at 6 cents that is increased annually consistent to the consumer price index over the ensuing period of twenty years. Mr. McDowell further cited a previous period when the CPI increased over 75%. He also noted there is no contract guarantee by DS providing for any minimum of net metering credits and there was no exit provision in the contract if savings were not realized.

Chairman Paul McCormick, Board of Selectmen addressed the Water Commissioners. He said that there are always fluctuations in these types of markets. Natural gas is predicted to drop in price by 13%. He said that if the District and or School District chose not to participate, the Town would seek to sell them to another party.

Chairman Prue noted that this is something the Town Meeting voters have supported, and considering that there is no liability on the District’s part in was in favor of signing the Agreement.

Mr. Larkowski provided some clarifications regarding Mr. McDowell’s concerns. The District’s lawyer, Attorney Perrino has reviewed this Agreement as well as the Town’s contract with Dennis Solar. In terms of the interconnection between the solar field and NSTAR, the contract provides that the District will reimburse the company on a per kilowatt hour basis on the cost in excess of \$60,000. The outside maximum cost is set at \$750,000 of which the District would be paying a third over the twenty-year contract. That equates to about .02 per kwh. He further explained that the net-metering credits are made up of the “wire” and the “power”. The District will always have to pay electric generation and finding the best price possible. The net metering credits are like a gift card that we paid for. The cost of which is expected to be \$0.0599 per kwh.

Mr. McDowell directed questions to Mr. Mellehan of American Capital Energy (parent company of Dennis Solar). His concern was whether or not NSTAR would apply the net metering credits directly to accounts or issue a direct payment. Mr. Mellehan stated that NSTAR has to choose between allocating the credits to all of the user accounts or, to simplify

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the process, write a check for the same amount. They have only one opportunity to select the payment method when the project goes on line. Mr. McDowell asked if the net metering credits will always remain the same value. Mr. Mellehan stated that the value of the credits change every six months based on the retail value of electricity. The price the District will pay for purchasing the net metering credits are adjusted by inflation based on the contract. However, the net metering credit rates adjust as a component of the consumer price index. From a practical sense, the two values cannot really diverge much. Wire charges are comprised in a large part by labor costs. In response to Mr. McDowell's question, Mr. Mellehan stated that if the company goes bankrupt there is an escrow provision so that the site can be removed. On a motion made by Charles F. Crowell, and duly seconded the Board ***VOTED: 2-1-0 (PLM): to sign the Intermunicipal Agreement Net Metering Credit Allocation Agreement between Town Of Dennis and Dennis Water District.***

## **MINUTES**

On a motion made by Charles F. Crowell, and duly seconded, the Board ***UNANIMOUSLY VOTED: to accept the minutes of June 2, 2011 with a minor correction.***

On a motion made by Charles F. Crowell, and duly seconded, the Board ***UNANIMOUSLY VOTED: to accept the minutes of July 28, 2011 as amended.***

On a motion made by Peter L. McDowell, and duly seconded the Board ***UNANIMOUSLY VOTED: to recess the meeting until the convening of their Joint Meeting with the Finance Committee.***

## **JOINT MEETING WITH DISTRICT FINANCE COMMITTEE – 6:30 PM**

Chairman Talbott called the meeting of the Finance Committee to order at 6:30 PM. On a motion made by James Plath, and duly seconded, the Finance Committee ***UNANIMOUSLY VOTED: to have the current slate of officers; that being David Talbott as Chairman, and Greg Stone as Secretary, to serve for the ensuing fiscal year.***

## **MINUTES:**

On a motion made and duly seconded, the Finance Committee ***UNANIMOUSLY VOTED: to waive the reading of the minutes of March 21, 2011.***

On a motion made and duly seconded, the Finance Committee ***UNANIMOUSLY VOTED: to accept the minutes of March 21, 2011.***

## **PUBLIC COMMENT - NONE**

## **DISCUSS AND CONSIDER RECOMMENDATIONS ON ARTICLES FOR THE ANNUAL DISTRICT WARRANT**

Mr. Crowell read the article for transferring approximately one acre of land to the Town of Dennis at the intersection of Route 134 and Airline Road for road improvements and to request special legislation under Article 97 of the Massachusetts Constitution.

On a motion made by Richard Roy, and duly seconded the Finance Committee ***VOTED: 4-1-0 (JP)*** to recommend the following article to be adopted at the Annual District Meeting:

*To see if the District will vote to authorize the Board of Water Commissioners to convey a parcel of land to the Town of Dennis for road improvements, located on the northerly corner of Airline Road and Route 134, containing 1.08 acres, more or less, and shown on a plan of land entitled "Definitive Subdivision Plan of Land in Dennis, Massachusetts, Prepared for the Town of Dennis, Scale 1"=40', Dated March 30, 2011, by Fay, Spofford & Thorndike, LLC," and further, to authorize the Board of Water Commissioners to request that special legislation be filed with the Massachusetts Great and General Court in accordance with Article 97 of the Massachusetts Constitution for the purpose of the article, or take any action relative thereto*

Mr. Crowell read the article which would authorize the Board of Water Commissioners to implement changes in group health insurance plan designs in accordance with Chapter 32, Section 22 and 23. On a motion made by James Plath, and duly seconded, the Finance Committee UNANIMOUSLY VOTED: to recommend the following article by adopted by the Annual District Meeting voters:

*To see if the District will vote pursuant to General Laws Chapter 32B Section 21 to authorize the Water Commissioners to implement changes to health insurance benefits pursuant to Chapter 32B Sections 22 and 23, as applicable, or take any action relative thereto.*

#### DISCUSSION AND RECOMMENDATIONS FOR FY 2013 BUDGET

The Superintendent provided an overview of some of the major projects being undertaken by the District. Over the last three years the District has been funding the power washing and maintenance of water tanks. Last year, District staff power washed the outside of the Six Million-Gallon Tank. They recently began work on the Old Bass River Tank. The annual funding commitment is \$100,000 to work on the tanks and as the funds are available, the project work for a particular tank is undertaken. The Hokum Rock Tank is the next tank to have work done.

Last year, five emergency generators were funded and installed. An additional appropriation is requested for FY 2013. Nowadays, with the level of treatment required, the stations need power for chemical monitoring, lights, etc. There is so much new technology that doesn't mesh with the old. Mr. Larkowski stated that upon completion of the second phase, immediately upon a power outage, 7,250 gallons per minute would be available to the distribution system.

The transmission main project was a new project that Mr. Larkowski has discussed with the Water Commissioners. He described a "bottle-neck" that occurs in the distribution system north of Route 6. There are only four mains that cross Route 6 but, half of the water is used on the south side. Dennisport is essentially separated by Swan River from the rest of the Town. The water to Dennisport is delivered by three major transmission mains that are hung under bridges; Upper County Road, Lower County Road and Route 28. The other is a six-inch main from the Harwich town line southerly down Depot. He has proposed a three-phase project to bring water across Route 6 and into Dennisport and to coordinate the Depot Road transmission main upgrade to 12" with the work being done by the State on Route 28. The request is for \$450,000 for the first phase which is to install approximately 5,000 feet of 12" main on Depot Road. District employees will install the main.

## ***LONG RANGE PROJECTION***

Ms. McMahon reviewed the long range projection that was provided for the Water Commissioners and Finance Committee review. The long range plan identifies major improvements to the infrastructure and capital equipment needs. The numbers are always soft and the projection is updated as new information becomes available. The goal has been to maintain stable rates. Those adjustments are only made when necessary and then they strive to keep them stable for a number of years. Ms. McMahon stated that unexpended funds from completed projects such as the treatment plants, as well as turn backs at the end of year from operating and maintenance and excess revenues from water billing result in surplus income otherwise known as “free cash”. She also stated that \$518,000 of the surplus was the result of the District being award a settlement in a MTBE class-action law suit.

Mr. Plath asked the Commissioners what their target number for the Stabilization Fund balance. The commission stated their target for the Stabilization Fund is \$1,500,000.00.

- B. Operating & Maintenance Budget – \$3,049,647
- C. General Appropriations - \$1,106,342 (pending final vote by Water Commissioners)
- D. Capital Expenditures – \$770,000
- E. Transfer \$150,000 from “Free Cash” to Stabilization Fund
- F. Projected Water Rates and Long Range Forecast

Chairman Talbott requested that the Finance Committee members make a motion regarding each budget item, have it seconded, and then open it up for discussion.

Jim Plath moved that the Finance Committee approve the Operating & Maintenance Budget of \$3,049,647. The motion was duly seconded. Discussion ensued regarding the operations and maintenance.

### **FY 2013 Budget Review and Recommendations:**

Ms McMahon shared a power point presentation to help explain each line item. She explained the line items may have to change due to various circumstances, but the bottom line budget will remain the same.

The Sick Leave Buy Back was increased by 27% due to one or two employees qualifying for Sick Leave Buy Back. Sick Leave Buy Back line item is the estimated payment of unused sick time at the end of the fiscal year provided the employee has reached the maximum of 240 hours (30 sick days at 8 hours per day) in their personal sick bank. Jim Plath asked how long it takes an employee to earn 240 hours of sick time. Ms. McMahon without using any sick days, it would take about 3 years, but generally it takes twice that amount of time to accumulate the hours. Sick Leave Buy Back is bought back at straight time at the end of the fiscal year.

Treasurer’s Expense was reduced by \$500 because of changes in Ms. McMahon’s duties and participation.

Legal Expenses were reduced since a settlement of a land damage suit.

Printing & Advertisement Expenses were increased due to postage increases. The Water District also prints all materials in house and there has been a significant increase in toner costs.

Communication Expenses have seen an increase and growth from previous years. The amount budgeted includes a one-third share of "Code Red" that is shared with the town.

Group Insurance Benefits has seen an increase in Medicare tax; someone retired and he did not have Medicare tax withdrawn from his pay, but his replacement does; that in part accounts for the increase. There is also a significant reduction in costs due to changes in plan designs and because of requirement of all Medicare qualified retirees change to a Medi-Gap plan.

Retirement Assessment has increased due to the Stock Market changes.

Uniforms & Cleaning has increased to purchase "Safety Green" T-shirts for the employees.

Water Quality Expense varies considerably due to cycling of the samplings based on which types of contaminants are to be tested.

Chairman Prue pointed out to the Finance Committee the proposed budget was only a  $\frac{3}{4}$  of 1% increase over last year.

Chairman Talbott asked if the salaries and wages specifically for Ms. McMahon and Mr. Larkowski are going to be reviewed on a yearly basis. Ms. McMahon noted the hourly staff did not have a raise two years ago and the following year they received a 2% merit increase and increases for obtaining licenses. The salaries for Ms. McMahon and Mr. Larkowski were not increased due to the economic conditions. Commissioner McDowell explained the amount of the increase for Ms. McMahon and Mr. Larkowski was based on COLA from Social Security.

Mr. Plath asked about the Substance Free Workplace and random drug testing. Ms. McMahon explained the drug testing is done randomly on a yearly basis for any/all drivers.

The Finance Committee ***UNANIMOUSLY VOTED: to accept the O & M Budget in the amount \$3,049,647 and to fund the expenses from General Water Revenues.***

Ms. McMahon noted the operating budget would be funded through general water rates; Mr. Plath amended his motion to include the above statement and was duly seconded. The Finance Committee ***UNANIMOUSLY VOTED to accept the amended motion.*** After some clarification, Mr. Plath motioned to modify his motion to fund the operating budget through general water revenues and was duly seconded.

### **General Appropriations:**

Under General Appropriations, Peter Nyberg moved that the Finance Committee recommend \$1,106,342. The motion was duly seconded. Discussion ensued regarding the individual appropriations within this budget grouping:

Reserve Fund - \$50,000. This has been the annual appropriation for many years. It is difficult to estimate an amount because it is for extraordinary and unforeseen expenses. The \$50,000 has been sufficient to cover such requests for many years.

District Officials Salaries was level funded.

Principal On Loans – the loan was re-amortized because the district entered into repayment early and due to a change in the rates, so the principal payment was decreased.

Independent Financial Reporting – funding for audits.

Cleaning Wells & Pump Repairs - \$40,000 decrease due to work on other projects; maintenance will resume this year.

Insurance Expense – there is only a small increase because of premium credits.

Water Service Services – level funded.

Hazard Waste Collection Day – collection of household products to protect water supply.

Health Insurance Reform – Employee Mitigation Plan to share funds with employees until the funds are expended.

Ms. McMahon also noted the General Appropriations would be funded with General Water Revenues.

The Finance Committee ***UNANIMOUSLY VOTED: to accept the General Appropriations Budget in the amount \$1,106,342 and to fund the expenses from General Water Revenues.***

### **Capital Expenditures – FY 2013:**

The Capital Budget was reviewed. For New Trucks with Equipment the request is for \$20,000. It is for one 2-wheel drive standard pick up truck.

Miscellaneous Equipment: the request is for \$5000 to purchase of a new lawn mower.

Maintenance and Power Washing of Water Tanks: the request is for \$100,000 towards continuing of maintenance and power washing of the four water tanks.

Emergency Generators: the funding request for this item is \$70,000 to continue completion of last year's project to install emergency generators.

Green Sand Replacement: the funding request for this item is \$25,000 to fund the iron and manganese filtration medium replacement.

Transmission Main Extensions: the funding request for this item is \$450,000. This is a three-phase project on Depot St. and this request is for the first phase.



Wells 5 & 22 – Iron/Manganese Removal: the funding request for this item is \$100,000. This will be used to investigate the permitting process to develop a plan to install new equipment to remove iron and manganese.

Chairman Prue noted that with the Water District employees painting and cleaning the tanks themselves, the District saves over \$100,000.

Ms. McMahon noted the funding for these expenditures should require a transfer from free cash to fund the capital expenditures. The motion for the article should be specific to the specific items so that it could be allocated properly.

On a motion made by Richard Roy, and duly seconded, the Finance Committee ***UNANIMOULSY VOTED: to recommend the budget Capital Expenditures Budget and to fund the items with a transfer of \$541,509 from Free Cash and \$228,491 from General Water Revenues.***

On a motion made by Richard Roy, and duly seconded, the Finance Committee ***UNANIMOULSY VOTED: to recommend the transfer of \$150,000 from “Free Cash” to Stabilization Fund.***

With no further business Finance Committee and on a motion made by Richard Roy, and duly seconded, the Board ***UNANIMOULSY VOTED: to adjourn at approximately 7:34 PM.***

With no further business before the Commissioners, and on a motion made by Peter L. McDowell, and duly seconded, the Board ***UNANIMOULSY VOTED: to adjourn at approximately 7:34 PM.***

Respectfully submitted,

Sheryl A McMahon, Clerk