

*DENNIS WATER DISTRICT
Board of Water Commissioners
Minutes of Meeting held
January 30, 2014*

A meeting, having been duly posted, was held this date at the Dennis Police Station, 90 Bob Crowell Road, South Dennis. The meeting was called to order by Paul F. Prue, Chairman at 6:00 PM. Also in attendance were Water Commissioners Charles F. Crowell and Peter L. McDowell and the following District officials:

Sheryl A McMahon, Clerk & Treasurer
David Larkowski, Superintendent

Public Comment:

Mr. McDowell advised that he had attended the Massachusetts Municipal Conference in the previous weekend in Boston and had attended a number of forums one of which was entitled State and Local Economic Budget Outlook as well as the Mass Municipal Law Update that covers court decisions. He suggested that the new marijuana law may need to be reviewed. He also attended a forum on Regional Emergency Dispatch.

Request from AT&T for addendum to lease for additional space for installation of generator.

Mr. Larkowski advised that AT&T has requested an addendum to the current leases for space on the Hokum Rock and Route 28 tanks for additional space for the installation of generators. AT&T is offering \$1,800 per year additional lease payment for the addendum for the remainder of the contract term (about four and five years remaining). The additional area requested is approximately 70 square feet. The current year lease payment is approximately \$40,000 to \$42,000 for each lease. Each lease has an escalator which would apply to the increase. Mr. McDowell noted that approximately \$262,100 is estimated for tank leases for FY 2015. On a motion made by Charles F. Crowell, and duly seconded, the Board ***UNANIMOUSLY VOTED: to have the Superintendent draft the addendum to the leases with AT&T and to sign on behalf of the Board.***

Minutes of September 26 and November 19, 2013

On a motion made by Charles F. Crowell, and duly seconded, the ***Board UNANIMOUSLY VOTED: to accept the minutes of November 19, 2013 as presented.***

Mr. McDowell stated that since he had asked for the delay, he has watched part of the tape but, has been unable to complete his review due to other time commitments. He said that if they were to be adopted he would vote against it only because he said there were some omissions that he would want to see included and asked for another delay. Chairman Prue said that these are part of the record and if Mr. McDowell had any further objections he could bring them forward. On a motion made by Charles F. Crowell, and duly seconded, the Board VOTED 2-1-0 (PLM): to accept the minutes of September 26, 2013 as presented.

Preliminary Budget Review and Discussion.

A) Operating Budget – \$3,090,335 - Mr. Larkowski noted that later in the agenda, the Board would be adjourning to an Executive Session to discuss wages and that the amounts that appear currently in the O & M Budget are place holders until the Board votes on the payroll items.

In general, there are not a lot of changes in the amounts estimated for most line items. Mr. Larkowski and Ms. McMahon provided brief verbal descriptions of each line item and the rationale for the increase or decrease as appropriate. Chairman Prue asked if any revenue from the solar farm was being applied to the budget. Mr. Larkowski stated that if and when the revenue was received it would go into the general fund. He said that, like the cellular antennae leases, the revenues were not being estimated until after the first year is actually received. Mr. McDowell noted that the current company selected to purchase electrical power from has yielded a savings for the FY 2015 year by \$20,000. It was further noted by Mr. Larkowski that despite a penalty clause in the contract for early termination, an invoice for that expense was not forthcoming and the reserved amount returned to the general fund at year-end.

Some Additional Highlights of the Discussion:

Sick Leave Buy-Back is based on the estimated number of hours employees qualify for payment of their unused sick leave above the maximum accrual. Unexpended amounts are transferred to a reserve account for payment to employees of their accrued sick leave upon retirement or termination. The reserve account balance represents approximately 60% of the potential liability.

Treatment Chemicals budget was decreased due to a decrease in the cost of chemicals. The “green sand” is a medium used to capture iron and manganese at the treatment plants. No chemicals are added to the treatment vessels. Chlorine is added at the source in for two purposes; one is to charge the “green sand” in the filter vessels to remove iron and manganese and to maintain a residual in the distribution system. Funding for the replacement of the green sand is appropriated separately. The estimated cost per vessel to replace the green sand is currently at \$120 per bag and it takes approximately 146 bags per vessel. The medium is expected to last up to 15 years. The chlorine residual acts as a disinfectant in the system and deters the growth of bacteria.

Propane gas is used to heat the stations and for emergency generators. The generators are exercised one per month and only run when there is a loss of power. The current contract is approximately six cents above the spot market price.

Demand Response is a program in which the District receives funds for running strictly on its own generated power when called upon to essentially stop using electricity when the grid is on high demand (summer months).

It was noted that the bulk mailing costs for printing the water bills, newsletter and Consumer Confidence Report were charged against the Postage line item instead of Printing & Advertising.

Meters and Parts has an increase of \$16,000. For the past several years, the \$74,000 appropriation has been sufficient to purchase approximately 800 meters. The District purchased a new meter reading system that only reads Neptune meters. Several years ago, the price of Neptune meters was increasing so the bid was opened to other manufacturers. ABB was awarded the bid for several years. Mr. Larkowski stated that the cheaper cost was because the meter was a “cheaper” manufacture. The problem was the reason they were at a cheaper cost. He was requesting

additional funds in order to accelerator the replacement of the ABB meters in the system so that only one system would be necessary for reading meters. It will take several years at the increased funding cost to replace the approximate 2,700 ABB meters currently in the system.

Mr. Larkowski provided a brief explanation of the reasons why he has not pursued a radio-read system for the District. Primarily it is due to the estimated cost of \$1 million and that the meters would have to be replaced on a 10-year cycle. The ABB meters were noisy, leak and the equipment to change the account number is no longer serviceable. The ABB meters cannot be read with the new reading system.

In FY 2013, the License, Dues and Training line item was largely under spent. The account pays for many licenses held by employees essential to the operations of the District. There are a number of employees that should have additional training classes in the coming year.

The Communications line item was reviewed. The expense includes cell phones, answering service, web site hosting, reverse 9-1-1, etc. While the control system for the pumping and treatment stations is done by radio, staff is able to access the system remotely with a mobile device.

For employees hired after April 1986, the District is required to match their 1.45% withholding for Medicare. County Retirement assessment is calculated on what percentage the District's total payroll for qualified employees compares to all of the aggregated payrolls of the member units in the Barnstable County Retirement Association. The assessment includes the District's contribution to the unfunded pension liability which is currently on a funding schedule as determined by the actuary. The District is not funding any amounts for the unfunded Other Post Employment Benefits (namely the District's share of health premiums for retirees).

Computer expense was over expended in FY 2013 and Ms. McMahon anticipates expending all of F 2014 and FY 2015 as Windows XP Professional will not longer be supported. The required upgrade to the newer operating system is causing a cascade of incompatible software that will also have to be replaced or upgraded. Ms. McMahon also noted that she anticipates having to replace the servers within the next year to two years.

Water Quality Expense was level funded. Mr. Larkowski provided an explanation of the testing required of the system. He also explained that there will be new round of sample taken in accordance with the Unregulated Contaminants Rule. The Environmental Protection Agency establishes a list of possible contaminants that are not currently regulated. The sampling is intended to identify and quantify contaminants that may be in the drinking water. If the contaminants are found, further determinations are made as to whether they appear at such levels that they need to be regulated.

Mr. Larkowski explained that manganese is a secondary contaminant that causes staining and order problems which is why the District implemented removal. Even if the District did not have removal, the levels of manganese are not high enough to warrant removal however, public notifications may have been required.

Repairs and Maintenance of Stations is level funded but, he anticipates that it will be necessary to increase the budgets. The reason why the District's budget is lower than most other similar sized systems is because most of the work is done with skilled in-house personnel. The majority of the budget is for materials.

The Group Insurance line item was reduced by \$25,000 in due to a loss of participants. Ms. McMahon further noted that the premium increase was just below 2%. While utilization of the plans plays the majority role in impacting future premiums, the recent changes in plan design as a result of the insurance reforms have likely shifted some of the potential for increase costs from the employer to the participants such as the implementation of deductibles and higher co-pays. It was further noted that approximately 92% of the premiums paid goes towards the payment of claims. The reforms require that qualified retirees enroll in Medicare. The District is currently paying late enrollment penalties for two retirees who were originally enrolled in active plans. Ms. McMahon explained that in the first year of the reforms, 25% of the projected savings was set-aside in an employee mitigation fund. Therefore, the first-year's savings was estimated to be approximately \$60,000.

Chairman Prue noted that the O & M budget as presented in the draft tonight represented an approximate .75% decrease compared to FY 2014.

B) General Appropriations – \$1,059,622 – The presentation included the current available balance for each item in this budget group. In FY 2013, the entire Reserve Fund was transferred for extraordinary and unforeseen expenditures by vote of the Water Commissioners.

In regards to the debt service accounts, it was noted that there are two outstanding bonds; one for the purchase of conservation restrictions in Brewster on approximately 60 acres and the purchase of the old drive-in site on Hokum Rock Road, and the other loan is with the Massachusetts Water Pollution Abatement Trust for the construction of the two treatment plants.

Independent Financial Reporting was increased for FY 2014 for a more comprehensive review of the District's financial compliance. The Treasurer had admittedly not made much progress in this area but, she was hopeful to have a proposal ready at the next meeting for the Board's consideration on developing written policies and procedures for financial activities. It was noted that the auditor did not make a presentation to the Commissioners following the submission of the last audit. Mr. McDowell said he would like to have an presentation upon completion of the next audit.

The Safe Drinking Water Act Assessment is a pass-through fee based on \$0.089 cents per thousand gallons. It is billed separately on the water bill and it subsequently transferred to a reserve account as an encumbered amount for payment due to the Mass. Dept. of Revenue on an annual basis.

The Insurance Expense is for auto, workers' compensation and general liability coverages, etc. The District is insured through the Massachusetts Interlocal Insurance Association (as is the Town of Dennis). In the current fiscal year, the District has received an extraordinary amount of dividends granted by MIIA, therefore, she has level-funded the budget for the ensuing year.

Water Services is primarily for the purchase of materials used in the installation and repair of customer water services. The majority of the materials are billed directly to customers. This account is closed at year-end. MIIA is a municipal pool and is not driven to make a profit like most insurance companies. A lot of the cost increase is due to the "no-lead" rule for parts used in the delivery of drinking water.

Household Hazardous Waste Collection Day is a rolling account. The collection day is held in June and the bill might not be received until after July. The cost is approximately \$10,000. The \$14,000

will cover both the June 2014 and 2015 collection days. The Town of Dennis Board of Health holds a collection day in September. The District does not contribute to the Town's collection day. It did once in the past due to a budget shortfall. Mr. McDowell asked what the Town's appropriation for its collection day. The amount was unknown.

C) Capital Appropriations – \$542,000 It was noted that the Cleaning Wells & Pump Repairs item was moved from the General Appropriations budget to the Capital budget for accounting purposes. Mr. Larkowski noted that he anticipates doing work at least ten wells over the course of the next 18 months as a result of evaluations done on their pumping capacity. He provided the Board with a description of the two major processes used to clean wells in order to restore the capacity. Pumps are generally replaced every ten years. Wells are usually cleaned when they have an approximate reduction in capacity of 25%.

One ½-ton pickup truck is planned for replacement at a cost of \$20,000. It is a very basic truck with two-wheel drive, 6-cylinder with automatic transmission. Mr. Larkowski noted that these types of trucks have a lot of hours as opposed to a lot of miles.

New Loader Backhoe to replace one of three in the fleet at a cost of \$100,000. All of the construction equipment is used but they are starting to age and will eventually need replacement. It was noted that the District should receive a decent trade-in value but, that the cab is rusting along with some other mechanical issues.

Miscellaneous Equipment includes a small tapping machine and some handheld portable radios for communications for certain personnel and operations. The current in-truck radios do not allow employees to hear each other between the north and south sides of town. The office has grown too reliant on calling employees on their personal cell phones. He will finalize the estimated cost for the next meeting. Not every employee would need a radio, nor does every employee need a cell phone but a combination of these devices is anticipated to meet the District's needs for in-field communication.

D) Revenue Budget (Funding Sources) - \$4,691,957

E) Long Range Forecast

F) Water Rate Scenarios

5. **EXECUTIVE SESSION:** At approximately 8:15 PM a motion was made by Charles F. Crowell to adjourn the open session in accordance with Chapter 30A, Section 21(2) to conduct strategy sessions in preparation for negotiations with non-union personnel (office and water works employees) and not to return to open session. Peter L. McDowell seconded. The Chair then called for the roll call vote which was as follows:

Charles F. Crowell – “aye”

Peter L. McDowell – “aye”

Paul F. Prue – “aye”

Note: Executive Session Adjourned at approximately 8:35 PM.

Respectfully submitted,

Sheryl A McMahon, Clerk