

*DENNIS WATER DISTRICT
Board of Water Commissioners
Minutes of Meeting held
February 27, 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:

Chairman Prue read a letter from Michael Maguire of the Cape Cod Extension Service. Mr. Maguire lauded the recent article in the Main Line newsletter regarding latex paint and the District's efforts to protect drinking water by hosting a Household Hazardous Waste Collection Day (HHWCD).

Mr. Larkowski explained that latex paint is not hazardous and for many years it was comprised the largest expense of the HHWCD. Latex paints will not be accepted by the District at the next HHWCD. He further explained that there has been a push to have legislation filed that would require retailers to take back the remaining paint. It is likely a small fee would be charged at the time of sale.

Mr. McDowell said that he had attended this same afternoon the Cape Cod Commission 208 Waste Water Study in Chatham. He said that the Town is now involved in a \$238,000 study of the \$600,000 study that was done by the District some years ago but, is not quiet finished yet. He said the presentation was impressive. He further noted that Mr. Niedzwiecki informed the group that the atmospheric nitrogen percentage has dropped.

February 2014 Water Billing Review

Ms. McMahon advised the Board that the water bills were mailed on or about February 14. She stated that the billing was very close to average for this billing cycle and on target for the revenue commitment. Ms. McMahon had provided a spreadsheet which provided a user analysis. She stated that over the winter cycle 90% of the accounts use 67% of the water and 1% of the accounts use 20% of the water. In the summer, 72% of the accounts use about 30% of the water while 10% of the accounts use 44% of the water. Over the last seven to eight years, the usage is very consistent.

Request by District Clerk to Reaffirm Water Commissioners Vote Regarding Allowance Previously Granted to Dennis Housing Authority (DHA)

Ms. McMahon stated that when she was preparing to issue the credit to the DHA in accordance with the vote taken last March to she discovered that the motion made by Mr. Crowell authorized a specific amount and state that it was to be applied annually. Upon review of the video, she said that it is obvious from the discussion that it was intended to be a permanent allowance. She provided several different calculation methods for the Boards consideration. Chairman Prue said that it had been his intention that it would be an annual allowance as was the allowance voted for Tony Kent Arena. Ms. McMahon said that one way to grant the credit would be to bill the first 4,000 gallons of usage at \$1.95 (the spreadsheet calculation was based on 4 million gallons) as a baseline and then everything above that would be billed at the regular rates. Based on the most recent billing, a credit of approximately \$3,700 would be applied. She said that this method would provide accountability for usage and having it set on the production rate (\$1.95) the credit would adjust automatically over time.

Ms. McMahon advised that, to her knowledge, there has not been another request for this type of billing consideration by any other entity.

Mr. McDowell said that because the DHA is a quasi-state agency and by granting this allowance, it is giving money to the Commonwealth. He stated that there is no comparison between the ice arena and the DHA. He said Tony Kent Arena “earns its own keep” and it was set up that way. He said it was set up to be able to operate without revenues from the Town and without the responsibility to fund that facility. He said it was very different than giving away resources to a state agency to reduce their bill. He thought the resources of this District should not be given away to that kind of an agency.

McMahon stated that the Town grants a tax abatement to DHA of approximately \$8,000. She said that many of the occupants of the housing units do pay, on a sliding scale, rent to DHA. Chairman Prue said he felt it was appropriate because there are children, low-income elderly and veterans that live in these units and they are our neighbors. He further expressed his understanding that the money that they don’t have to pay is reinvested back into the infrastructure. Ms. McMahon apologized for not bringing copies of a letter from the Chairman of the DHA which advises the Board on what was accomplished as a result of the reduction in the water bills.

Mr. McDowell stated that utility companies do not give them any rebates. He said if the state allows the Town to grant an abatement of taxes, so be it. He said the District is a multi-million dollar corporation established to provide water to the inhabitants of the Town, including the DHA occupants. He said they have been set up to provide this housing and have done it for years until the Board decided a year ago to give them water free. He felt it was an inappropriate gift and the Commonwealth can pay its way.

On a motion made by Charles F. Crowell, and seconded by Chairman Prue, the Board ***VOTED 2-1-0 (PLM): to grant an annual allowance to the Dennis Housing Authority by billing the first 4,000,000 at the production rate and all other usage at the regular billing rates.***

Discuss Adoption of Chapter 32B, Section 20 by Water Commissioners (as governing board) – Other Post Employment Benefits (OPEB) Liability Trust Fund and schedule.

Ms. McMahon stated that governmental units are being required by the Government Accounting Standards Board to disclose their unfunded OPEB liability. There is no requirement to fund the liability. The OPEB liability is largely comprised of premiums to be paid by the District for retirees’ health insurance benefits. It also includes dental premiums. Approximately two years ago, a new state law allows governmental units to establish an OPEB liability fund in order to set aside assets to meet that liability at some point in the future. She asked that the Board consider adopting the section to establish the trust fund. She said that the District has a healthy Stabilization Fund and that the Free Cash, over time, is consistent and considered the District in probably a better financial position than most towns to begin putting some funds away. The unfunded liability isn’t too large because for a long time there was just two retirees, now there are thirteen plus their dependents. She explained that current employees are earning a future benefit and the District should be putting away funds to pay the District’s share of their post employment benefits in the future. She said that in future generations they will see in their municipal budgets OPEB obligations that will significantly impacting fiscal budgets. If adopted, trust documents would be created, a trust account separate from all other municipal funds will be established and it would require that a 30-year funding schedule be created by

an actuary. Funding the unfunded liability over 30 years is intended to smooth out the costs so that eventually it is only the normal costs that are funded. Periodic updates to the funding schedule would need to be done as the demographics of the employees and health benefit plans change over time. She noted that the recent changes made to the health plans, such as the increase in co-pays and establishing deductibles reduce the unfunded liability. The Town adopted it by town meeting vote while the Water Commissioners are the governing board and may vote to adopt it. Ms. McMahon had provided a copy of the most recent actuarial study and suggested that the Board consider meeting with the actuary or a consultant in perhaps a workshop setting.

Mr. Crowell asked how this is different from Barnstable County Retirement (BCR). Ms. McMahon explained that BCR only covers pensions for approximately 52 governmental units. She further explained that for forty years or more, the District only paid the current cost of retirees' pensions and that nothing was contributed towards the future benefits being earned by current employees. Employees have a percentage of their pay withheld for retirement which is paid into BCR and is used to pay part of their future pension. She said that Social Security's employee withholding is 5.2% and that employers must match that. The District did not contribute towards future pension benefits for active employees until a law was passed that required the adoption of a funding schedule to meet the unfunded liability. Currently, there is no requirement for governmental units to set aside funds to meet their future OPEB liability and it will be a huge cost. Ms. McMahon clarified that years ago, the District had set aside funds in a Pension Reserve Account, but once the funding schedule was adopted, the District's reserves were applied to smooth out the assessment increases until it was depleted. She noted that there was a lot of discussion about OPEB at the Mass. Municipal Conference this past January.

Mr. McDowell asked if this was a replacement for BCR. She stated that the unfunded liability for pensions was addressed years ago. Mr. McDowell asked a series of questions regarding how BCR assessed pension costs. Initially, the District was assessed for its share of the pension costs to be paid in given year regardless of the actual number of District retirees [a/k/a pay-as-you-go]. When the funding schedule was adopted the assessments were then based on the future pensions currently being earned (normal costs) and to make up for liabilities that were not previously funded. She further explained that [adoption of 32B, Sec. 20] will establish a trust for Dennis Water District in which the District can set aside funds to pay for its liability for retirees' insurance costs. Currently the District pays for its share of retirees' premiums on a pay-as-you-go basis. The District is not setting aside funds to pay for its share of insurance for future retirees. As more employees retire, the obligation to pay for those retirees will continue to grow as an even greater percentage of the annual budget. She explained that the first step was to disclose the unfunded liability on the financial statements. The second is to establish a mechanism to set aside funds to meet that unfunded liability. The third is to establish an actuarially approved 30-year funding schedule and fourth is to begin setting aside funds in order to meet the future unfunded liability. Mr. McDowell said that he understands that this trust will pay for future insurance benefits and if we didn't do this, the District would still have to pay whatever the bill was for retirees. His concern is that the current yield on investments is so low that it doesn't make any sense to set it aside. He stated his understanding that by adopting this law would create a trust in order to pay for benefits of current and future retirees. Ms. McMahon said that what she believed the significance of this was that as more employees retire and live longer the number of District employees will continue to grow the cost of their insurance becomes an inordinate expense to ratepayers in the future to pay for liabilities that were earned over the course of twenty or thirty years prior. While the current investment rates are abysmal, her concern is that over time, the cost of the District's share of health insurance premiums will become disproportionate to other costs and whether

passing on this cost to future generations is an ethical one, her concern was the financial impact over the long term.

Chairman Prue asked if the Town has decided how it would be funding the trust. Ms. McMahon advised that there are on-going discussions and one consideration is diverting a portion of the income from the solar farm that is currently under construction. Chairman Prue asked about the appointment of the trustees and the treasurer. Ms. McMahon was not certain about the appointment process. Ms. McMahon stated that once the section is adopted it is permanent however, funding is not mandatory. Chairman Prue was of the opinion that eventually this will be mandated. While she did not expect that the State would be passing funding requirements any time soon, she said that she expects local communities that have the wherewithal to begin funding them and in fact she believed the Town of Barnstable already has. Addressing the OPEB unfunded liability is seen as advantageous to the bond rating agencies as being fiscally responsible.

Mr. McDowell requested that a list of towns and districts that have adopted this statute be provided. Ms. McMahon said that she understood that there is a requirement of municipalities that have adopted this section to file it with the Public Employees Retirement Administration Commission. Chairman Prue suggested that the Board have a workshop and invite Segal [actuary] to make a presentation. Mr. McDowell also requested as to how other municipalities have adopted Section 20 of Chapter 32B.

Final Budget Review, Discussion and Vote.

Mr. Larkowski asked that the Board vote the final budget this evening. He did advise that he was requesting one change in the Capital Appropriations. In regards to the backhoe/loader, he was requesting that the cost be reduced from \$100,000 to \$84,000. He explained that he obtained quotes through the state's COMM-Pass procurement website. The specific bid is 461DCR which allows the District to contact pre-approved vendors and obtain current quotes based on the District's specifications. Four vendors were contacted and he received bids on John Deer and Caterpillar. He explained that when the District issues a bid it is for just one unit whereas the State issues a bid for multiple units they receive much larger discounts. The reduction is also reflected in the Budget Summary which was also provided to the Board. Ms. McMahon noted that there is a requested change on the Miscellaneous Items. The original request was for \$12,000. It has been revised to reflect a more accurate estimate of the cost of portable handheld radios, tapping machine and the replacement of the computer server for a total of \$13,250. Mr. McDowell clarified that with the exception of the two items just provided; all of the other budget numbers that were reviewed previously remain the same. He commended Mr. Larkowski on the savings realized on the backhoe/loader.

On a motion made by Peter L McDowell, and duly seconded, the ***Board UNANIMOUSLY VOTED: to accept the following budgets for FY 2015 as amended by the reduction in the Backhoe/loader and the increase in Miscellaneous Equipment: Operating Budget – \$3,075,335, General Appropriations – \$1,059,622, Capital Appropriations – \$543,250 and Revenue Budget (Funding Sources) - \$4,678,207.***

Draft of 2013 Water Commissioners' Report

Ms. McMahon had requested, via a memo to the Board members, a listing of topics, outline or language that the Commissioners wished to have included in their Annual Report that she would compile and edit. Chairman Prue was the only one to submit any text. She was hopeful to have the

Annual Report available for the Finance Committee by the end of March. It was agreed that any additions or edits be forwarded to Mr. Larkowski and Ms. McMahon, they will be incorporated and it will be sent right back for further review and the Chairman would call for a meeting if it was deemed necessary.

Consider appointment of Clerk & Treasurer to a three-year term to expire March 1, 2017

On a motion made by Charles F. Crowell, and duly seconded, the Board ***UNANIMOUSLY VOTED: to appoint as Clerk & Treasure Sheryl A McMahon to a three-year term to expire March 1, 2017.***

Minutes: January 30, 2014

The minutes, having just been distributed at the beginning of the meeting, were deferred.

EXECUTIVE SESSION

At approximately 7:04 PM, the Chairman called for an Executive Session in accordance with *Ch. 30A, Sec. 21(a)(1) to consider the purchase, exchange, lease or value of real property if the chair declares that an open meeting may have a detrimental effect on the negotiating position of the public body; to consider an addendum to AT & T Lease for space on water tank and appurtenant area for generator.*

Charles F. Crowell moved as read by the Chairman and not to return to open session. It was seconded by Peter L. McDowell. The Chairman then called for the roll call vote which was as follows:

Peter L. McDowell – “aye”

Charles F. Crowell – “aye”

Paul F. Prue – “aye”

Respectfully submitted,

Sheryl A McMahon