

**SOUTHWEST HARBOR WATER & SEWER DISTRICT
MONTHLY MEETING OF THE BOARD OF TRUSTEES**

Approved Minutes

Town Hall Meeting Room
Wednesday, March 7, 2018

Item 1 Convene meeting

Meeting was convened at 6:02 pm. In attendance were Board members Jim Geary, Lee Worcester, Jim Vekasi, Ralph Dunbar, Don Lagrange, and District Manager Steven Kenney. There were no visitors.

Item 2 Election of Officers

Lee Worcester moved that the 2017 Officer positions be retained for 2018. Seconded by Don Lagrange. Vote 5/0/0.

2018 Officers:
Chair: Jim Geary
Treasurer: Jim Vekasi
Clerk: Jim Vekasi
Vice-Chair: None

Item 3 Visitors to be heard. None

Item 4 Approval of minutes from previous meeting

Don Lagrange moved that the draft minutes of the February 12, 2018 meeting be approved as presented. Seconded by Lee Worcester. Vote 5/0/0.

Item 5 Financial

- A) Proposed Drinking Water State Revolving Fund (DWSRF) loan for Long Pond Pump Station Upgrade. As described in the attached Manager's report, USDA RD has offered us loan only (no grant) funding for this project, but the DWSRF is offering a loan with 20% principal forgiveness (20% grant and 80% long term bond). Up to \$537,320.00 of funding with \$107,464.00 principal forgiveness is eligible. We discussed the project with Paul Cote of Tata & Howard who prepared the Preliminary Engineering Report. Work includes building rehab and replacement of mechanical and electrical equipment at the Long Pond raw water pump station. The existing system has been unreliable causing numerous call-outs and shut downs. The existing over-sized pump uses excessive energy. Controls are difficult and unreliable. The building has surface and rain water entry problems and low headroom issues.

If we choose to be considered for DWSRF funding, a prompt response is required, although there are several future steps of design, review, and approvals before making the final commitment for construction.

Lee Worcester moved that the District confirm to DWSRF our interest in Project # 2018-35, Long Pond Pump Station Upgrade. Seconded by Don Lagrange. Vote 5/0/0.

Don Lagrange **moved** that the District authorize Steven Kenney to execute DWSRF funding documents for Project # 2018-35, Long Pond Pump Station Upgrade. Seconded by **Lee Worcester**. Vote 5/0/0.

Lee Worcester moved that the District authorize Steven Kenney to enter into agreement with Tata & Howard for engineering design work required for Project # 2018-35, Long Pond Pump Station Upgrade. Seconded by Don Lagrange. Vote 5/0/0.

Next steps will include review and approval from the Town of Southwest Harbor who will fund the long-life Capital Improvement portion of the work and the Public Utility Commission.

- B) We received notification from the DWSRF that Project 2018-34, Cedar Lane and Claremont Road Water Main Replacement, is also eligible for DWSRF funding for up to \$401,980.00 with principal forgiveness of \$80,396.00 (20%).

Lee Worcester moved that the District confirm to DWSRF our interest in Project # 2018-34, Cedar Lane and Claremont Road Water Main Replacement. Seconded by Ralph Dunbar. Vote 5/0/0.

- C) Arrears/shut-off notices related to 2017 Q4 billing were sent out in the amounts \$42,918.31 water and \$56,254.88 sewer. This is not an excessive amount and we would anticipate receiving most of the funds.

- D) Financial Reports. The normal reports were reviewed and discussed. We continue to have Balance Sheet entries that are not fully explained and operating costs such as capital improvements and bond principal payments that do not appear on our Profit and Loss statements. It is becoming clear that some additional accounting help is needed. It was suggested that we contact local CPA(s) who are familiar with QuickBooks and Utility District accounting to provide assistance on an intermittent basis.

Don Lagrange moved to authorize Steven Kenney to investigate accounting assistance alternatives and, if a suitable person is found, retain their services. Seconded by Lee Worcester. Vote 5/0/0.

- E) Bank account signatories. Steven Kenney is authorized on all accounts with the Treasurer and Chair as backup signatories. To date, the backup signatories have not been needed. Because Chair Jim Geary's wife is an independent CPA who could potentially be considered for District

work, Jim Geary requested that he be removed as a signatory to avoid any potential appearance of conflict of interest related to CPA review of authorized purchases. As Treasurer Jim Vekasi will still be available as a backup signatory, this should be adequate. Steven will contact Bar Harbor Bank to adjust the signature cards.

Don Lagrange moved to change authorized bank account signatories to District Manager and Treasurer only. Seconded by Lee Worcester. Vote 5/0/0.

- F) Health insurance charges. There was apparently some confusion about the necessary 2017 employee withholding for health insurance. It appears to be related to withholding information given to the District by the Town Assistant Treasurer that was accurate for the recently modified Town health insurance plan, but not for the District plan which was not changed along with the Town's. The result was under-withholding in 2017 for multiple employees. Steven will continue to gather the facts and the Board will consider action alternatives at the next meeting.
- G) 2018 Budget. Based on the fact that 2017 Q4 income totaled 27.9% of the annual water budget and 23.2% of the annual sewer budget, we have increased confidence in the 2018 income estimates.

Lee Worcester moved that the draft 2018 water and sewer budgets dated January 11, 2018 be approved. Seconded by Don Lagrange. Vote 5/0/0.

- H) Wastewater debt payment to Town. Estimated sewer income is very close to estimated costs leaving no flexibility and the potential for continued deficits. It is apparent that an increase in sewer rates will be needed and a 2018 deficit may be inevitable. The Board will request that the Town of Southwest Harbor defer the \$37,176 2018 annual payment related to past sewer budget deficits to allow for a limited contingency and equipment replacement budget. This request is included in our 2018 budget.

Don Lagrange requested that Steven consult with Auditor Jim Wadman and ask his opinion about the effect of a deferral of the loan payment on Town and District financial situations.

- I) Sewer rate increase. The Board still wishes to increase rates to both address chronic underfunding and also avoid a large increase at some future date. It is believed to have been eight years since the last increase. Inflation alone requires an increase, but, in addition, numerous needs for expensive operational changes and increased costs have been identified such as:
- Additional chemical treatment is required to meet our discharge permit.
 - Increased sludge removal and disposal is required to avoid sludge buildup problems.
 - Both DEP inspections and a third party engineering study identified additional personnel needs.
 - There have been and continue to be substantial deferred costs such as equipment replacement and removal of compacted excess sludge.
 - The District is endeavoring to repay the Town for past sewer budget deficits.

Ralph Dunbar moved that the District raise sewer rates by 10% across the board effective July 1, 2018. Final decision will come after the required public notification consisting of two notices in the Mount Desert Islander and the usual notice boards and a public meeting to be held as part of our normal monthly meeting on Wednesday, June 6, 2018 at the Fire House. Seconded by Don Lagrange. Vote 5/0/0.

Item 6 **Manager's Report** Attached

Item 7 **Warrants**

Don Lagrange moved to approve Water Warrant #22 and Sewer Warrant #2. Seconded by Jim Geary. Vote 4/0/0.

Item 8 **Old Business**

- A) 2018 Budget. See Item 6, Financial
- B) Corrections to Water & Sewer Policies. Not discussed
- C) Administrative Consent Agreement update. The Board continues to be dissatisfied with the DEP inspection response, the proposed fine, the response to our proposed Supplemental Environmental Project to improve road runoff in Long Pond, and the continuing non-factual inspection reports as documented in the attached Manager's Report. Lee Worcester suggested a letter to our State Legislative representatives or the Governor requesting review and forgiveness of the proposed fine. Steven was asked to discuss a draft letter with our lawyer.

Item 9 **New Business**

- A) HRA policy review. Not discussed
- B) Wastewater inspection, Water NON. Not discussed.

Item 10 **Date of next meeting**

Thursday, April 12, 2018 at 6:00 in the Town Office meeting room. Lee Worcester and Jim Vekasi will not be present for this meeting.

Item 11 **Adjourn meeting**

Don Lagrange moved to adjourn at 9:05 pm. Seconded by Ralph Dunbar. Vote 5/0/0

Submitted,



Attached:
Manager's Report, March, 2018
Approved Budget

Approved April 12, 2018



Jim Vekasi
Clerk

SOUTHWEST HARBOR WATER & SEWER DISTRICT
District Managers Report
March Monthly Meeting 2018

GRANTS;

There will be a “Kick off” meeting for the Emergency Response grant we received through MRWA on March 29 at the Town’s Fire Station. MRWA have notified all the potential participants.

We received the attached Grant / Loan offer from SRF for the infrastructure work on Cedar and Claremont Rds for \$401,980.00 total project price and an \$80,396.00 principal forgiveness. This is the loan the Town will be paying for.

We received the attached Grant / Loan offer for the Raw Water Pump Station rehabilitation project at Long Pond. Total project price of \$537,320.00 with a principal forgiveness of \$107,464.00. Whereas we were hoping to have completed this project this year using RD funds, I have asked our Engineers to attend the meeting to go over the details in the SRF funding and supply a contract for the Board to review. The SRF funds are shorter term, (30 years), but end up being the same annual cost as the 40 year RD loan because of the principal forgiveness using SRF funds.

<p>USDA loan only \$ 537,320</p>	<p>SRF loan and forgiveness \$ 537,320 0.2 20% forgiveness \$ 107,464 \$ 429,856</p>
<p>monthly payment for 40 years, 2.625% \$ 1,809.23</p>	<p>monthly payment for 30 years at 2.95% \$ 1,800.72</p>
<p>\$ 868,430.40 total loan plus interest *** RD's interest rate for this quarter is now 2.75% so total will be higher</p>	<p>\$ 648,259.20 total loan plus interest</p>
<p>savings over the loan period \$ 220,171.20</p>	
<p>USDA - SRF</p>	

Financials;

We finally had a moment to review our MMA and Payroll issues of 2017 around insurance and deductions. Discrepancies were expected and found.

The following problems were found;

- 1) The wrong figures were given to Bangor Payroll by The Town when the payroll was initially set up for health insurance deductions. Employees were not having enough deducted from their pay totaling a \$3,114.13 deficit to the District. This is not a problem for 2018
- 2) ICMA was not paid properly for the first 3 months of 2017 totaling approximately \$3,100.00 in additional payments. The deductions were taken out of the employees but transferred to ICMA in full. This is not an issue in 2018
- 3) The first weeks payroll of 2017 was conducted by the Town and there were errors in the checks drafted for that pay period. The most significant is my owing the Town \$260.00 due to a payment made on my behalf to Mass DOR that wasn't supposed to be made.
- 4) The amount given to Bangor Payroll by the Town and was being deducted from employees for ICMA payments were not correct on the low side, and nothing was taken out of Tom Farley at all. This has all been corrected.

I spent 2 days straightening out our policy with Group Dynamics, our HRA managers. Not only did we not have a separate HRA account, but the plan was outdated. Both issues are now correct. I would like to review the HRA policy with the Board at the next meeting.

The Audit will start on the week of March 5th.

Wastewater;

The DEP performed an inspection at the Plant, (report attached). They found the same type of solids effluent violation while there as they did in August 2016, (the ACO), but did not respond that negatively to it whereas Tom corrected the situation before they left. There were also numerous repetitive corrections on bench sheets and procedures, that were actually already being done. With my consent, Tom is calling the DEP inspector, Gary Brooks, to clarify why these deficits were recorded when they were not factual.

On January 16th, a MMA representative inspected our WTP, Standpipes and Sewer Lift Stations for liability issues or safety violations, finding none and noted same in a follow up email.

Water:

We continue to find problems with, and correct, customer accounts and meters.

I sent out chemical quote requests for 2018. The quotes came back with the same, or a little lower, numbers than last year (better than higher, with a potential saving of \$2,000 if all is equal). I'm hopeful that we use less chemicals than last year. I have our engineers looking into the possibility of using an alkaline base pH and corrosion control chemical at the Water Plant to offset the amount of bicarbonate used at the Wastewater Plant by increasing the alkalinity level of the influent.

The work I've been doing with a potential solar project may, or may not pan out. Our cost per kw is not high enough to make it an easy financial payoff. The company said the work I did by running the WTP during off peak hours, and retrofitting with high efficiency motors, has reduced our costs. They are still interested in a proposal though. Our biggest savings will be when we can get rid of the oversized motor at the raw water pump station. That one motor uses the same amount of electricity as does the entire treatment plant. I have not replaced it yet in hopes we will be rehabilitating the entire raw water pump station soon.

We received a "Notice of Noncompliance" from DPH Drinking Water for samples violation on Feb 1, (attached). I knew the sample was taken and after researching the situation found that the sample was taken, mailed and analyzed, the lab just couldn't read Snap's writing and couldn't report the results to the State because they could not confirm the sample information. I produced the results to the State and the violation was reduced to a reporting violation which does not include follow up or notification. Josh is now taking samples.

Thank you