

**KENNEBEC WATER DISTRICT  
REGULAR BOARD OF TRUSTEES MEETING  
THURSDAY – JUNE 21, 2018 at 7:30 AM**

The meeting was called to order at 7:30 a.m. by President Hodsdon.

Trustees present: Al Hodsdon, President; Karl Dornish, Vice-President; J. Michael Talbot, Treasurer; Allan Fuller, Clerk; Bill Boucher, Trustee; Mark McCluskey, Trustee; Frank Richards, Trustee; Alex Wild, Trustee

Trustees absent: Denise Bruesewitz, Trustee; Jeff Earickson, Assistant Treasurer

J. Michael Talbot, Treasurer, left the meeting at 9:00 a.m.  
Alex Wild, Trustee, left the meeting at 9:15 a.m.

Also present: Roger Crouse, General Manager; Jeff Longfellow, KWD Engineer; Matt Zetterman, KWD Director of Water Quality; Jared Bragdon, KWD Operations Superintendent; Sue Markatine, Recording Secretary

**ITEM 1: INTRODUCTION OF GUESTS**

None

**ITEM 2: REVIEW AND APPROVE THE MINUTES OF THE REGULAR BOARD OF TRUSTEES' MEETING OF JUNE 7, 2018.**

Motion by Trustee Fuller, "to accept the minutes of the Regular Board of Trustees' Meeting of June 7, 2018," seconded by Trustee Dornish.

Vote: Motion carried unanimously.

### ITEM 3: FINANCIALS

#### A. ACCOUNT WARRANT

June 21, 2018

CHECKS RELEASED		Check	Dollar
Vendor	Description	Date	Amount
Kennebec County Reg. of Deeds	Water Lien Discharge-1 Property	6/1/2018	22.00
Business Card-Bank of America	Online Services-Microsoft/Tablet Return, Monitors, Clock LaCasse Retire-Amazon/Golf Gift Cert. LaCasse Retire- Dick's Sporting Goods/Red Sox Gift Cert. LaCasse Retire- Red Sox/Google Cloud-Google/Anti-Freeze, Vingegar, Beverages, Pens-Walmart	6/4/2018	2,008.46
Business Card-Bank of America	Laptop Bag, Mouse, Sanitizer, Ker osense Only Decal Sticker, Ink, GM Office Chair, Monitor-Amazon/AWWA & NEWWA Membership-AWWA	6/4/2018	805.04
E S Boulos Company	Business Office Emergency Lights	6/4/2018	142.00
Hilltop Cleaning Service	Monthly Cleaning Service	6/4/2018	846.00
Gerald MacKenzie Inc.	Pavement Patches-Variou s Locations	6/4/2018	10,458.11
Maine Water Works Supply	Bushings/Tees/Plugs/Packing/Couplings/Gauge/Pipe	6/4/2018	2,179.78
Treasurer, State of Maine	MPUC Annual Regulatory Assessment	6/4/2018	19,314.00
Treasurer, State of Maine-HETL	Water Test	6/4/2018	75.00
Northern Safety Company Inc.	Eye Wash/25' Tapes/Hard Hats	6/4/2018	190.48
Super Shoe Stores Inc.	Employee Clothing	6/4/2018	77.97
Verizon Wireless	Monthly Data Service	6/4/2018	222.51
A Partner in Technology	Monthly Axcient Rental/Professional IT Services	6/7/2018	712.50
Agway Inc.	Spray Foam	6/7/2018	26.97
American Messaging	Monthly Paging Service	6/7/2018	135.97
Central Maine Power	Monthly Electricity-Variou s Locations	6/7/2018	8,241.95
Crystal Reporting Solutions	Update to Monthly Crystal Financial Reports	6/7/2018	150.00
Earthlink Business 1058	Monthly Telephone Service	6/7/2018	271.78
Fastenal Company	Wire Shelving for Meters	6/7/2018	518.06
General Alum N. E. Corp.	Sodium Hydroxide-WTP	6/7/2018	7,263.58
Wex Bank	Monthly Vehicle Fuel Usage	6/7/2018	2,532.54
GWI	Monthly Internet Service	6/7/2018	287.27
Hach Company	pH Buffer/Flouride Buffer (Lab Supplies)-WTP	6/7/2018	431.91
Hammond Tractor Company	Air Filter	6/7/2018	29.98
Harcross Chemicals Inc.	Sodium Hypochlorite	6/7/2018	2,553.44
Hight Ford Mercury	Repairs-Tk 8	6/7/2018	643.00
IDEXX Distribution Inc.	Lab Sample Bottles-WTP	6/7/2018	156.36
Kennebec Auto Service	Repair Flat-Tk 22	6/7/2018	19.99
Gerald MacKenzie Inc.	Pavement Patches-Armory Road	6/7/2018	1,028.00
Maine Water Works Supply	Couplings/Pipe/Sonoscope Water Phone	6/7/2018	972.70
Treasurer, State of Maine-HETL	Water Test	6/7/2018	75.00
Workplace Health	New Employee Preplacement Exam	6/7/2018	185.00
Maine Today Media Inc.	Spring Flushing Advertisements	6/7/2018	272.25
Morning Sentinel	Annual Subscription Renewal	6/7/2018	329.16
Motor Supply Company	Fuel Filter/Air Filter/Oil Filter	6/7/2018	110.91
Northeast Laboratory	Water Tests	6/7/2018	960.00
Runyon Kersteen Ouellette	Professional Services-Fiscal Year 2017 Audit	6/7/2018	2,000.00
Shredding On Site Inc.	Shedding Services	6/7/2018	550.00
Thayer Corporation	Quarterly Service Agreement	6/7/2018	305.68
VWR International LLC	Fluoride Tests-WTP	6/7/2018	475.36

Ware-Butler Inc.	Clip for Buoy	6/7/2018	2.38
Agway Inc.	Grass Seed/Shovels	6/13/2018	129.97
Kodiak Steel Company	1" Cold Rolled Steel	6/13/2018	132.65
Treasurer, State of Maine	Monthly Sales Tax	6/13/2018	2,751.72
MainePers	Monthly Employer Contribution	6/13/2018	10,089.20
MainePers	Monthly Group Life Premiums	6/13/2018	645.16
Quill Corporation	Coffee Maker/Beverages/Self-Inking Date Stamp	6/13/2018	107.46
A Partner in Technology	Professional IT Services	6/14/2018	192.50
Alere Escreen	Pre-Employment Drug Screening	6/14/2018	64.00
Answering Services Unlim ited	Monthly Answering Service	6/14/2018	99.14
Constellation NewEnergy Inc.	Monthly Electricity-WTP	6/14/2018	2,098.80
EMSL Analytical Inc.- Products	LT2 Monthly Testing	6/14/2018	390.00
Hussey Communications Inc.	Monthly Internet Service	6/14/2018	250.00
Kennebec Auto Service	Repairs -Tk 21	6/14/2018	652.30
Kennebec Equipment-Fairfield	Compactor Maintenance	6/14/2018	124.07
Kennebec Water District	Monthly Petty Cash	6/14/2018	52.02
M C Disposal Inc./DBA CMD	Monthly Rubbish Removal/Portapotty Rental	6/14/2018	163.00
Roki Repair Shop	Commercial State Inspection/Emergency Kit-Tk 9	6/14/2018	133.50
Time Warner Cable	Monthly Internet Service	6/14/2018	233.66
Williams Scotsman Inc.	Monthly Storage Container Rental	6/14/2018	142.37
Postmaster	Bulk Mail Postage-Billing	6/15/2018	310.52
<b>Total Warrant</b>			<b>\$86,345.13</b>

Motion by Trustee Talbot, "to ratify the total warrant of checks released for \$86,345.13," seconded by Trustee McCluskey.

There were no questions regarding today's account warrant.

Vote: Motion carried unanimously.

## **B. March Financials**

As part of their packet, the Board members were provided with a copy of the March 2018 financial statements, and a brief review was conducted. The March 2018 operating revenues are above March 2017 by \$25,401, and the 2018 operating revenues are above 2017 by \$102,321. As in previous months and as anticipated, this increase is mainly due to the April 1, 2017 rate increase. Trustee Dornish observed that the March 2018 industrial metered sales revenue, of which the Huhtamaki Manufacturing Plant (HMP) is the primary customer, is above March 2017 by \$9,536 and with an overall increase of \$17,957 in 2018. It was speculated that there could have been more turbidity in the water during this period causing HMP to use more KWD water rather than river water for manufacturing purposes.

Under the operating expenses, the 2018 "Salaries and Wages Officers'" expense is above 2018. As reported at the past meeting, this is due to the fact that Mr. Crouse was hired on February 1<sup>st</sup>, and the former General Manager also continued to be employed through the end of April. The March 2018 contractual services-others is above March 2017 by \$7,615. Mr. Crouse explained that this is chiefly due to the services provided by A Partner in Technology (API) for the information technology (IT) upgrades. The March 2018 transportation expenses is slightly above March 2017 due to backhoe and vehicle repairs. Trustee Hodsdon noted that the March 2018 purchased power is

below March 2017 by \$8,845. As was mentioned at the previous meeting, a few questions have recently arisen regarding the Central Maine Power invoices as there appears to be a delay in receiving invoices for the billing cycles. KWD staff is also in the process of verifying the billed meters. Trustee McCluskey commented that KWD should be realizing a decrease in power cost due to the downsizing of the pumps and increased efficiency at the Western Avenue Pump Station (WAPS). Mr. Longfellow agreed that there should be a decline in power costs. He plans to compose an analysis but is waiting for compatible test months, which will include months in the years 2016 and 2018 as in 2017 temporary pumps were being utilized due to the project construction, for comparative purposes.

The total operating revenues for March 2018 is a negative \$5,768. However, Trustee Hodsdon pointed out that the depreciation and taxes expense is included in the total operating expenses, and the depreciation portion is not an actual billed cost for monthly operations. Overall, the 2018 year-to-date net income is below 2017 by \$36,452.

Regarding the M-4 Income Statement, March 2018 revenues were above March 2017 by \$328. Subsequently, the March 2018 expenses relating to M-4 were below March 2017 by \$4,658. Therefore, the March 2018 net income is reflecting an increase of \$4,986 above March 2017. Overall, the M-4 2018 year-to-date net income is below 2017 by \$15,364. Trustee Hodsdon asked if the totality of the power being generated by M-4 is being sold to the grid, and Mr. Crouse answered affirmatively. In the past, a portion of the M-4 generated electricity was used to offset the WAPS electrical usage cost through net metering. Because M-4 is now decoupled from the WAPS, the entire power produced is sold to the grid.

In review of the cash-flow statement. Mr. Crouse reported that the March 2018 ending balance in the invested checking account is below the February 2018 ending balance by approximately \$90,000.

### **C. Procurement Policy**

At the June 7<sup>th</sup> meeting, the Trustees were provided with a draft copy of the KWD Procurement Policy to review and to prepare feedback. The recommendations for changes were discussed at today's meeting.

Trustee Richards commented that partial reason for this document is because, although KWD has had existing procedures, the KWD auditing firm had recommended a more formal written policy be created. Trustee Richards considers this policy adequate. At the previous meeting, there was some concern expressed regarding the purchase approval authorization levels, which includes the purchase dollar amount range and required KWD Management Staff/Board approval at each level. Trustee McCluskey asked for an explanation of the reasoning for the dollar threshold amounts, specifically if it is for ease of operations. Mr. Crouse responded that he researched and considered policies from several other water utilities comparable in size to KWD to compile these amounts and incorporate some of the policy's language.

Trustee Talbot suggested changing the limits stated on page three of the document to reflect the past practice amount of presenting to the Board for review and approval any singular item (equipment, vehicle, etc.) or project costing \$5,000 or more. He also recommended that any proposals or bids which exceed the capital budget estimated amount should be brought before the Board for review, rather than allowing a leeway of up to 10 percent over the budgeted price. Trustee

Dornish stated that even if an item is included in the capital budget pre-approved by the Board, he would like the bids or proposals for the equipment or project presented before the Board for review and endorsement. Trustee Hodsdon concurred, adding that this step further demonstrates the Board's support, authorization, and approval of a selected vendor, and, in the majority of circumstances, of the staff's recommendation. Trustee Fuller stated that the capital budget is a general overview of the intended purchases and projects for the upcoming year. The bid/proposal review process is informative to and a discussion point for the Board of the District's upcoming and current events and provides an opportunity for evaluation of the equipment/projects. Not for formal approval process but for informational purposes, Trustee Fuller would also like to review the bid/proposal specifications, which should include both design and performance details, for capital projects/equipment costing \$5,000 or more as this will aid him in determining the precise requirements necessary and in making a more qualified purchase decision. This language is proposed to be added to the Obtaining Competitive Bids section on Page 4 of the Procurement Policy.

Considering this discussion, Trustee McCluskey commented that if the Board decides to adopt the clause which states that "Items approved by the Trustees at the time of the approval of the annual capital budget do not need to be approved again at the time of purchase unless the proposals or bids exceed the capital budget estimate by more than 10 percent", going forward the expectation should be that the Trustees are provided with more details and become more involved at the time the capital budget is developed. Trustee Fuller mentioned that the updated Master Plan being compiled by Wright-Pierce Engineers should facilitate with the forecasting and prioritizing of major projects and the associated costs.

In addition to the above, other changes and recommendations were discussed. If the vendor selection process involves the potential to award to a non-responsive bidder (a bidder that does not meet one or more of the bid specifications), or in a circumstance when only one bid is submitted, the Board is requesting to review these types of proposals for items at or above \$5,000. For authorization of the use of non-competitive selections, the cost limit for purchases/services, except in an emergency situation, is requested to be \$5,000 or greater for Trustee review.

Trustee Hodsdon requested that these recommendations and any additional suggestions submitted by Board members be incorporated in to the Draft Procurement Policy and presented to the Trustees at the next meeting for review.

#### **D. Other**

None

### **ITEM 4: MOTION ISSUES**

#### **A. Authorize General Manager to Review the Maine Power Options Fuel Oil Program Pricing and to Accept the Lowest Bid for Fuel Oil for the WTP for the 2018-2019 Heating Season**

As has been the process in previous years, the KWD is participating in the Maine Power Options (MPO) fuel oil program annual fuel bid for heating oil used at the WTP (approximately 10,000 gallons). Participants in the fuel bid program must accept (or reject) the bid prices the day the bids are announced. Therefore, Mr. Crouse requested Board approval to accept the lowest fuel oil bid

prices for the 2018-2019 heating season. Mr. Crouse will report back to the Board the accepted price per gallon after the bid process has been completed.

Motion by Trustee Talbot, “to authorize the General Manager to review the Maine Power Options fuel oil program pricing and to accept the lowest bid for fuel oil for the WTP 2018-2019 heating season,” seconded by Trustee Fuller.

Vote: Motion carried unanimously.

**B. Other**

None

**ITEM 5: TRUSTEES**

**A. Comments, Concerns, Ideas**

With all the new technology, including the addition of iPads for staff members, Trustee McCluskey was curious regarding the District’s policy for cell phones. Mr. Crouse explained that presently there are two options for employees who are required to have cell-phone access availability. The first is that the District will provide a phone for the employee for work-related purposes. The second option is that an employee can use their own personal cell phone, and KWD will reimburse the employee \$35 per month to aid in offsetting the employee’s monthly service plan cost. Mr. Crouse informed the Trustees that presently there is no outlined policy regarding the KWD technical expectations for the cell phones. At some point in the future, Mr. Crouse and the Management Team will discuss and define the best technological equipment, tablets, smart phones, etc., for the most effective communication and incorporate this into a policy. Trustee Fuller asked the number of employees who are reimbursed for their cell phones. Mr. Crouse responded approximately 20 employees, as the Business Office Staff do not have this requirement. Trustee Fuller stated he could potentially be in favor of providing the phones for the employees with the added assurance that there is a security feature attached to these phones. Mr. Crouse explained that there is security protocol presently in place in order to gain access by any means to the KWD supervisory control and data acquisition (SCADA) system, and there are a limited number of employees who have these permissions.

Regarding a different subject, the Board members were updated and discussed the recent break of the sixteen-inch 1956 vintage underwater main within the Messalonskee Stream which disrupted water service to hundreds of KWD customers and which became one of the focal points of the local media. Trustee Fuller inquired the means in which KWD was alerted that there was a problem. Mr. Zetterman answered that KWD knew immediately there was an issue as the water tank level dropped dramatically. However, pinning down the exact location of the break proved to be more challenging as there was no indications of a water outflow anomaly throughout the KWD service territory. Trustee Fuller also asked the amount of water loss due to this breach. Mr. Zetterman responded approximately 1.5 million gallons.

Trustee Dornish inquired the reason this main moved causing the rupture. Mr. Longfellow responded that although there were sandbags full of stone placed underneath the pipe for support, there was erosion in the river bed which allowed considerable fluctuation. Underwater divers have re-assembled the main and increased the amount of restraining rod clamps. The next strategy is to

employ the services of a crane to install concrete barriers on both sides of the pipe, and then backfill the area around the pipe and concrete barriers with stone in order to prevent movement. Trustee Wild asked if draining the river would be a more economical solution to accomplish this project. Mr. Longfellow replied that, although an excellent idea and this method has been utilized at a different river location in the past, this is not an option for this area of the stream.

Trustee Hodsdon asked if there were impacts on the distribution system due to the dislodged main being shut down and with the water being re-directed. Mr. Longfellow answered that with the 16-inch main out of service, there is no longer a direct route for the flow of water from the Western Avenue Pump Station to the Twin Tanks. This creates increased pressures and velocities at some locations in the system. Because this is the second break to this main within the past year, Trustee Hodsdon broached the subject of replacing rather than repairing this pipe. Mr. Longfellow answered that this pipe and others within this area are on the priority list for replacement, but it will be quite a costly project. This main is approximately 500 to 600 feet long and would cost an estimated \$400,000 to replace. Subsequently, the lead time to obtain new 16-inch ball and socket pipe is approximately four months with a cost associated of about \$400 per foot. Mr. Crouse informed the Board that the repair cost for the first break was about \$19,000. Mainly, because of the addition of the concrete barriers and crane rental fees, the cost to repair this break is expected to be about \$35,000.

## **B. Schedule of Meetings in July and August**

As a reminder, there is only one meeting scheduled for each month of July and August, July 19<sup>th</sup> and August 16<sup>th</sup>. In the case a significant issue arises and needs to be discussed, an additional meeting will be arranged.

## **ITEM 6: GENERAL MANAGER'S REPORT**

### **A. M-4 Evaluation Report**

As part of their packets, the Trustees were provided with a comprehensive report of the description, history, operations, capital needs, and income/expense analysis of M-4, the KWD hydro-station. The Board has been deliberating and considering the sale of M-4 for several months, and this document was provided to aid in this decision. On behalf of the Board, Trustee Hodsdon thanked and complimented the KWD staff, Mr. Crouse and Mr. Longfellow, for this very detailed and all-inclusive report as it provides the Board with a complete understanding of the M-4 future capital improvement needs and costs and potential income scenarios. Based on the 20-year analysis, there is an anticipated net loss to rate payers, and the recommendation to the Board is to authorize the General Manager to proceed with the sale of M-4.

Mr. Crouse informed the Board that Essex Hydro Associates (EHA) recently initiated a meeting with KWD staff. For several years, EHA has operated M-4 at no labor cost to KWD. EHA owns three other hydro stations on the Messalonskee Stream and operates all dams to optimize the flow times for premium generation revenue. At this meeting and as in the past, EHA expressed interest in purchasing M-4 for an unspecified cash payment and a contract to sell power to KWD at reduced electrical generation cost. Mr. Crouse mentioned that in addition to the potential sale to EHA, KWD could place M-4 on the market allowing the opportunity for others to present proposals, either cash or a combination of cash and reduced power costs. Mr. Crouse also mentioned that the present three-year electrical generation contract, which went into effect November 2017, for the three

largest KWD power users, the WTP, the WAPS, and the Chase Avenue Pump Station is fairly low at \$0.053 per kWh.

Trustee Wild asked the amount of time and effort KWD staff devote to M-4. Mr. Crouse responded that when there are mechanical difficulties, Mr. Longfellow aids in trouble-shooting the system and coordinating the repairs. Mr. Longfellow added that, at times, debris needs to be removed from the racks, and KWD employees perform this job which precludes them from accomplishing other tasks. Subsequently, Betty Hastings, KWD's Finance Manager, dedicates some time compiling the monthly financial reports for M-4. In addition, as General Manager, Mr. Crouse dedicates some of his time keeping abreast of the overall M-4 operations.

Motion by Trustee Fuller, "to authorize the General Manager to meet with and seek a price proposal from EHA staff for the sale of M-4,".

As there was no second for this motion, the motion falls to the floor.

Trustee Dornish commented that it would be due diligence for KWD to consider the whole sales market for the potential sale of M-4. Trustee Richards suggested hiring a professional firm to obtain a confidential estimate of the fair market value of M-4 to aid in determining if offers entertained are of a reasonable amount. Because Kleinschmidt Associates have provided this information in the past, Trustee Fuller recommended contacting this firm. Mr. Crouse suggested, and the Board members agreed, that he could discuss a price proposal from EHA and also contact Kleinschmidt Associates to conduct an appraisal to aid in determining a reasonable selling price. When this information is received, the Board members will deliberate this subject in Executive Session.

On a related note, Trustee McCluskey asked if the land surrounding/access to the hydro-station would be included in the sale. Mr. Longfellow answered that there have been no decisions regarding the sale of land yet, adding perhaps there would just be a granting of an easement.

## **B. General Manager's Performance Evaluation**

At the June 7<sup>th</sup> meeting, the Board members had been provided with a draft copy of the General Manager's Performance Form. The Trustees were recently also provided with a copy of Trustee Richards comments regarding this form and the overall evaluation process. Trustee McCluskey agreed with Trustee Richards' proposal to eliminate the majority of the evaluation bullet points and only utilizing the final summary page for rating and comments with added input from KWD senior management. Trustee Dornish agreed, commenting that there are numerous evaluation bullet points on the draft form; however, the majority are attributes which would be known to be possessed by an experienced and successful general manager such as Mr. Crouse. For evaluation purposes, Trustee Dornish's main focal points are the KWD goals of low cost for and providing continuous high-quality water to rate payers. Mr. Crouse commented these goals are admirable and KWD does continuously provide high-quality water; however, KWD also has much aging infrastructure which needs replacing in order to maintain these standards. Trustee Fuller mentioned the fact that in 2020 a substantial amount of the present bonds will be extinguished, and in 2021 the total debt service will decrease significantly. At that time and at the Board's discretion, more revenue will be available for additional capital improvements, whether directly or through the bond process, to reduce customer rates to some degree, or to implement a combination of both these options. Mr. Crouse stated that, as mentioned previously, the comprehensive facilities Master Plan



will aid in guiding the District in the development of future capital improvements during the next 10 to 15 years. Trustee Hodsdon offered that a capital reserve account could be set up per Maine Public Utilities Commission regulations and that fund would be used exclusively for capital projects.

At this time, it was the consensus of the Trustees to continue the discussion of the General Manager's Performance Form and evaluation process at a time when there is a full Board in attendance.

**C. Other**

None

Motion by Trustee McCluskey, "to accept the General Manager's Report as presented," seconded by Trustee Fuller.

Vote: Motion carried unanimously.

**ITEM 7: PUBLIC PARTICIPATION**

None

Motion by Trustee Dornish, "to adjourn the meeting," seconded by Trustee Richards.

Vote: Motion carried unanimously.

Meeting adjourned at 9:30 a.m.

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Sue Markatine, Recording Secretary