

**KENNEBEC WATER DISTRICT
REGULAR BOARD OF TRUSTEES MEETING
THURSDAY – JULY 21, 2016 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; Jeff Earickson, Assistant Treasurer; Joan Sanzenbacher, Trustee; Bill Boucher, Trustee; Patricia Gorman, Trustee

Trustees absent: Mark McCluskey, Trustee; Gary Coull, Trustee

Trustee Talbot left the meeting at 8:35 a.m.

Also present: Jeff LaCasse, General Manager; Jefferson Longfellow, KWD Engineer; Benny LaPlante, KWD Distribution 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 JULY 7, 2016.

Motion by Trustee Talbot, "to accept the minutes of the Regular Board of Trustees' Meeting of July 7, 2016," seconded by Trustee Earickson.

Referring to the Operations and Maintenance Update Report in the July 7th minutes, Trustee Sanzenbacher asked for a further clarification of the clause regarding the maturing of the Dig Safe requests. Mr. LaPlante explained that according to Maine Dig Safe law, after dig safe is notified a utility or contractor must wait 72 hours (mature time), unless it is an emergency situation, to allow time for the utility representatives to mark their lines within the proposed excavation area.

Vote: Motion carried unanimously.

ITEM 3: FINANCIALS**A. ACCOUNT WARRANT**

July 21, 2016

CHECKS RELEASED		Check	Dollar
Vendor	Description	Date	Amount
A-Copi Imaging Systems	Quarterly Maintenance Contract-2 Copiers	07/06/16	146.25
American Glass Company	Rear Window Repair-Tk 22	07/06/16	352.00
Answering Services Unlimited	Monthly Answering Service	07/06/16	80.00
Bluetarp Financial Inc.-Aubuchon	Rustoleum Primer/Rusto-Spray for Hydrant Painting	07/06/16	76.46
E S Boulos Company	Replace Outlet/Maintenance on Breakers/Relocate Start Buttons for Transfer Switch Panels/Change Main Breaker Settings-WTP	07/06/16	3,969.00
Dennis K. Burke Inc.	Heating Oil-WTP	07/06/16	4,248.15
Central Maine Power	Monthly Electricity-Variou Locations	07/06/16	6,280.45
Constellation NewEnergy Inc.	Monthly Electricity-Variou Locations	07/06/16	7,912.00
Fastenal Company	Cap Screws/Hex Nuts	07/06/16	97.70
Fisher Scientific	Lab Supplies-WTP	07/06/16	39.91
General Alum N. E. Corp.	Totes/Alum-WTP	07/06/16	5,008.00
GWI	Monthly Internet Service	07/06/16	224.70
Hammond Tractor Company	Bolts/Screws/Nuts	07/06/16	30.36
Kennebe Auto Service	State Inspection-Tk 21/State Inspection & Service-Tk 11	07/06/16	51.19
Kennebec Water District	Monthly Petty Cash	07/06/16	144.18
Maine Municipal Association	Workers Compensation-3rd Installment	07/06/16	4,199.25
Maine Water Works Supply	Brass Couplings/Hymax Couplings/Gaskets	07/06/16	2,199.54
Treasurer, State of Maine	Monthly Sales Tax	07/06/16	3,109.42
Treasurer, State of Maine	Upgrade Water System License-1 Employee	07/06/16	20.00
Treasurer, State of Maine	Annual Regulatory Assessment Fee-Public Advocate	07/06/16	2,536.00
Treasurer, State of Maine	Annual Drinking Water Fee	07/06/16	10,994.00
Treasurer, State of Maine	Water Tests	07/06/16	1,375.00
MainePERS	Monthly Employer Retirement Contribution	07/06/16	8,788.16
MainePERS	Monthly Group Life Premiums	07/06/16	743.81
McMaster-Carr Supply Company	Blower/Pipe/Flange/Tees/Elbows/Cross/Chain	07/06/16	1,055.56
Motor Supply Company	Torque Wrench	07/06/16	105.95
David Morin	Monthly Mowing-Variou Locations	07/06/16	1,490.00
Staples Credit Plan	Towels/Soap/Coffee Machine/Cleaning Supplies	07/06/16	114.24
F. W. Webb Company	Tees/Couplings/PVC/Flange/Boltpack/Adaptors	07/06/16	1,140.26
Whittemore & Sons	Fuel Pump for Pavement Saw	07/06/16	10.49
Town of Winslow	Opening Permits-Variou Locations	07/06/16	544.99
Kennebec County Reg. of Deeds	Water Lien Discharges-2 Properties	07/07/16	44.00
Somerset County Reg. of Deeds	Water Lien Discharge-1 Property	07/07/16	22.00
BNY Mellon Corporate Trust	2004 Bond Principal & Interest	07/13/16	38,150.55
A C Electric Corp	Battery Testing-M-4	07/13/16	672.00
Postmaster	Bulk Mail Postage-Billing	07/14/16	637.32
TOTAL WARRANT			\$106,612.89

Motion by Trustee Talbot, “to ratify the total warrant of checks released for \$106,612.89”, seconded by Trustee Earickson.

Trustee Hodsdon observed that the annual Maine Drinking Water Commission AFM (alternate financing mechanism) fee was \$10,994. Mr. LaCasse stated that this figure reflects the first increase in several years and is approximately 12 percent higher than in 2015. He further explained that he that the DWC had been utilizing available surplus funds in the past years to avoid an increase, and these funds are now depleted to an unsustainable level. All regulated water utilities and other public drinking water suppliers, including campgrounds and schools with their own water supply, are charged this fee, and it is proportionately allocated based on customer base (number of services multiplied by a standard 2.5 customers per service). This fee helps fund positions within the Maine Drinking Water Program (MDWP) to ensure the MDWP is able to maintain primacy for the regulatory compliance of Maine utilities.

Vote: Motion carried unanimously.

B. May Financials

As part of their packet, the Trustees were provided with a copy of the May financial reports, and a brief review was conducted. The 2016 metered sales' residential customers' revenue is below 2015 by \$8,616. In addition, the 2016 metered sales' commercial customers' revenue continues to decrease, being below 2015 by \$17,872. Overall, 2016 net operating revenues are below 2015 by \$4,743.

The 2016 operations and maintenance expenses are below 2015 by \$32,290. However, a portion of this savings will diminish over the next few months due to various projects and emergency repairs.

The 2016 year-to-date M-4 revenue is on par with 2015, slightly above by \$1,332. As of late, M-4 has not been generating due to a mechanical problem. Fortunately, it is at a time when generation would be low due to little precipitation and resultant low river flow.

Overall, the 2016 year-to-date net income is above 2015 by \$31,302.

Regarding the cash-flow report, on future reports Mr. LaCasse will have a line item delineated separately for the MainePERS amount in order to reflect the actual balance of these funds. Separating those funds from the general revenues will better clarify the District's financial status during rate case and other financial position presentations.

Trustee Earickson recalled that at one time the cash flow report reflected a reserve account for land acquisition. Mr. LaCasse responded that this is correct. This reserve account was chiefly dedicated to the potential land purchases of property primarily around China Lake to increase the buffer zone and better protect the water quality of the lake. KWD did purchase a couple watershed properties from this fund, and this fund was depleted and has not been replenished. He added that in addition to the present reserved funds for the tanks and granulated activated carbon, other reserve accounts can be added as deemed appropriate and pending the Maine Public Utilities Commission's approval. However, once the reserved funds are in place, the monies are required to be utilized for that particular project, and KWD loses flexibility for the utilization of these funds.

C. Other

At the July 7th meeting, the Trustees were provided with a copy of the KWD representation letter in connection with the audit of the financial statements addressed to the KWD auditors, Runyon Kersteen Ouellette (RKO) signed by Mr. LaCasse and Betty Hastings, KWD's Financial Manager. The Board was also provided with a copy of the letter from RKO addressed to the Board of Trustees regarding its responsibilities and audit findings. At the request of Trustee Earickson, these two letters were included in the electronic transmission of the Board packet for today's meeting. There were no further questions regarding these letters.

On a different subject, the Maine Municipal Association (MMA) has a Safety Enhancement Grant program and accepts applications for safety related purchases, projects, and training. Mr. LaCasse informed the Trustees that KWD recently applied for and received a payment of \$1,500 for reimbursement for the full amount for a rigger safety training seminar.

ITEM 4: MOTION ISSUES

A. Accept Bond Commitment from Maine Municipal Bond Bank (MMBB)

At the previous meeting, there was discussion of the 5-percent service fee charged by the MMBB for each debt service payment of the loan and the 1-percent project management fee charged by the Department of Health and Human Services (DHHS) for the original amount borrowed for the WAPS capital project. There was a concern regarding the total impact of the surcharges throughout the life of the bond. Mr. LaCasse compiled a projection report with approximations to present to the Board at today's meeting and then contacted the MMBB for confirmation of the percentage rate amounts. Mr. LaCasse also pointed out that this savings figure is underestimated due to the fact that there would also be additional and substantial service and administration fees if an outside financial institution was engaged instead of the MMBB. This analysis further proves that achieving funding through the MMBB and SRF loan is the best means to secure financing at this time. Trustee Dornish made the point that instead of viewing the interest at the 1-percent rate, with the additional fees, it is closer to a 1 ½-percent rate.

Trustee Hodsdon indicated that if the interest rate index was at 3 ½-percent or higher the MMBB has a present program which subsidizes a portion of the interest and foregoes the 5-percent service fee. He stated that if the interest rate was at exactly 3 ½ percent, in consideration of the interest subsidizing and service fee waiving, the actual interest payback amount would be reduced to a definitive 1-percent.

Motion by Trustee Talbot, "to authorize KWD to accept the bond commitment from the Maine Municipal Bond Bank as stipulated in the June 14, 2016 letter addressed and provided to KWD," seconded by Trustee Fuller.

Vote: Motion carried unanimously.

B. Approve Resolution Provided by Bond Counsel Verrill Dana

In order to proceed with the steps necessary to obtain the funding from the MMBB for the item stated in A. above, it is necessary for the Board to approve a borrowing resolution as provided

by bond counsel. Mr. LaCasse explained that if unforeseen modifications are necessary, this resolution can be superseded by a future resolution.

Motion by Trustee Talbot, “to approve the 2016 Maine Municipal Bond Bank Borrowing Resolution for the District’s Western Avenue Pump Station Renovation Project as provided and stated by bond counsel Verrill-Dana,” seconded by Trustee Sanzenbacher.

The Board discussed the motion. Trustee Hodsdon questioned if the level of the bond counsel charges increase exorbitantly with the cost of the bond. In review, because this project encompasses two years and because the bonding process is quite complicated, KWD has been approved for interim financing and one long-term bond issuance for the approximate \$3 million with the bond funds available around April 2017. Trustee Hodsdon wondered if it would behoove KWD and save legal costs to execute two bonds for \$1.5 million each. He stated he asked this question to a staff member at the DWP and this person was unsure of the answer. Mr. LaCasse commented that the bond counsel charges are amortized in the cost of the bond. He will contact Verrill Dana and attempt to obtain an answer regarding the question posed by Trustee Hodsdon.

Vote: Motion carried unanimously.

C. Other

Mr. LaCasse informed the Board that the District’s primary service van, utilized by the Meter Department’s Customer Service staff, had a serious mechanical failure which would require, among other things, a transmission replacement. The van has over 100,000 miles of use and was in the budget to be replaced in 2016. It was not practical to make substantial repairs. The KWD staff been reviewed replacement options and had examined a couple service vehicles utilized by area companies. These vehicles had the desired features to replace the customer service van. After checking with various dealerships, Mr. LaCasse found that there was only one currently available in the state which included these features. Because being one vehicle short put some restrictions on the District business, and because the preferred vehicle was available immediately, Mr. LaCasse made a decision to purchase the new van. He explained that the replacement of this vehicle was listed in the 2016 capital budget for the amount of \$30,000. The one which was purchased was a 2016 Chevrolet Van at the net cost of \$27,589 after a \$1,000 trade-in allowance.

Motion by Trustee Dornish, “to support the decision made by the General Manager to purchase a 2016 Chevrolet Van at the cost of \$27,589,” seconded by Trustee Gorman.

Vote: Motion carried unanimously.

ITEM 5: TRUSTEES

A. Comments, Concerns, Ideas

None

B. Other

Mr. LaCasse informed the Trustees that each KWD Board meeting's date, time, and place are required to be published in the local newspaper. The Morning Sentinel, by its own admitted mistake, has only been listing the meetings in the on-line newspaper edition but not the printed newspaper edition. This is a legal, but not ideal meeting notice. Mr. LaCasse has contacted the newspaper to rectify this situation, and future notices will be in both the on-line and printed newspaper editions.

At times, the Board holds only one meeting during the summer months. Because of the many events which required the Trustees' action, there have been two meetings per month held thus far this summer. After some discussion, Mr. LaCasse recommended holding the next meeting on the regularly scheduled date, August 4th. At this meeting, the date of the next meeting will be determined. Trustee Earickson stated if there is a second meeting held in August, he will be unable to attend. Trustee Fuller stated he will not be in attendance for the August 4th meeting.

ITEM 6: ENGINEER'S REPORT

A. Engineer's Report

China Lake Elevation: 171.5
Stream Flow: 12 cfs

The majority of the work on Union Street has been completed. The only remaining work is to cross College Avenue to connect to the 10-inch main, and then remove the existing tee that previously fed Union Street. Because the work will require night work and take up all of the lanes, there will need to be some notice for the traveling public before work begins. The work is tentatively planned Wednesday night, July 20th. This will leave one week before the City plans to reclaim the street and sidewalks on July 28th.

With the work mostly done on Union Street, the contractor has mobilized to Nelson Street to cut-in a valve to start the main laying process on July 15th. The work will begin at the intersection at Gilbert Street, and then work north toward Kennedy Memorial Drive. This work has also been relayed to the City of Waterville's face book administrator to help spread the word.

We have met with Wright-Pierce to review the 90 percent plans and specifications for the Western Avenue Pump Station capital project. There will be some needed changes, and there will have to be some door replacements so that the front doors open out as needed for emergency egress. One of the few remaining items will be to meet with Waterville's Fire Department to review and get approval for such safety items. One remaining issue is who will be doing the inspection on this project. Time will need to be budgeted into the project cost, either for KWD's time or Wright-Pierce's time.

The speed switches for M-4 are at Maine Industrial's shop for maintenance and repair. One of the shafts that operate the switches broke and a replacement will have to be either machined or a new one purchased. As a result, the station is down until the repair can be made.

Jefferson Longfellow, P. E.

Mr. Longfellow also informed the Board that at approximately 5 a.m. this morning the contractor completed the final piece of the Union Street main replacement which crossed College

Avenue. The patch paving on College Avenue will be conducted on Friday, July 22nd. On Monday, grinding on both sides of the Union Street trench will be conducted in order to meet the Department of Transportation's standards. On Thursday, July 28th, the City of Waterville is scheduled to begin reclaiming Union Street and plans to have the pavement in place before the "Taste of Waterville" event scheduled for August 3rd.

In regards to the WAPS, Mr. Longfellow is meeting with staff from the Waterville Fire Department on Friday, July 22nd, to discuss the aforementioned emergency egress requirements. Wright-Pierce is expected to solicit bids for the majority of the WAPS project scope next week. There is one potential environmental issue which Mr. LaCasse will address during the General Manager's report. One remaining matter yet to be determined is who will be the inspector on site for the WAPS, KWD or Wright-Pierce Engineers. While Mr. LaCasse said he felt the work should be able to be handled by the KWD Engineer and staff, trustee Hodsdon commented that it could prove difficult for KWD's engineers to dedicate full time to the inspection of this project as other duties and projects, such as main replacement inspections, could prevail. He suggested requesting a cost proposal from Wright-Pierce to have one of its engineers employed as the inspector for this function, either full-time or potentially on a part-time basis if the KWD engineers were occupied with other projects. Trustee Hodsdon added that an analysis of the difference in cost if the inspection was conducted by KWD versus Wright-Pierce would be helpful in determining this decision.

Motion by Trustee Talbot, "to accept the Engineer's Report as presented," seconded by Trustee Sanzenbacher.

Vote: Motion carried unanimously.

ITEM 7: GENERAL MANAGER'S REPORT

A. Project Updates

The first project update was in regards to the WTP fluoride spill. The pump including the housing are back on-line and the fluoride levels for the drinking water have returned to the normal range. Mr. LaCasse had contacted the insurance company regarding this incident and two adjusters had inspected the damages. Although he has not received official written notification, the insurance company rep has indicated that the KWD claim will be denied with the reasoning that the mechanical failure was due to normal wear and tear. KWD staff was unconvinced of this explanation, but if the denial holds true, KWD will be forced to absorb the cost for the repairs due to the damages. KWD has received the invoice from Environmental Projects, Inc., which had several employees at the WTP for a whole day and also disposed of the leaked liquid, in the amount of \$21,470. Overall, the expenditures for the damages and related repairs are expected to be at minimum \$30,000.

The Trustees discussed the insurer's potential rejection of the claim for the cost of damages. Trustee Hodsdon stated the bolts, which held together the pump housing unit, broke cleanly off and did not corrode due to deterioration. Mr. LaPlante added that the pump was only approximately two years old, and he feels should not have demonstrated this type of failure. The Trustees agreed that if the insurance carrier rejects the claim, KWD should appeal this decision. Another suggestion made was to check with the manufacturer of the pump and housing unit to determine if there is some culpability on their part for the malfunction, possibly these bolts have been known to fail and are

under a type of recall, or perhaps there is a warranty which will provide some type of financial coverage.

The next project update involved the WAPS capital upgrade. KWD has received official notification from the Drinking Water Program (DWP) that this project qualifies for a categorical exclusion for the purpose of conducting an environmental impact assessment, which is time-consuming and would delay the project timeline. Subsequently, because the WAPS upgrade is foreseen as a project which will have an insignificant effect on the environment and the Messalonskee Stream, KWD had received notice that it would be granted permission to proceed with this project with a “permit by rule” rather than applying through the Department of Environmental Protection (DEP) extensive permitting formal process. The DWP is required to alert interested agencies, such as the DEP and Inland Fisheries, that this has been granted, and KWD is required to publish this in the newspaper in order to allow for public comment. DEP staff reviewed the Wright-Pierce site plans and noted that the generator did not meet the requirement of being 25-feet away from the stream. Because of this, the “permit by rule” could potentially be disallowed. Mr. LaCasse pointed out that this area is sloped away from the stream, and there is a retaining wall protecting the stream. For the reason that KWD is an essential service provider, Mr. LaCasse will discuss this with a DEP department head to ascertain if KWD can be granted a waiver for the 25-foot requirement. There is also the option of reconfiguring the plans to move the generator to a different location, but this change would have a negative impact on the amount of available parking. Mr. LaCasse will continue to update the Board on this subject as new information becomes available.

B. China Lake Issues Update

One of the numerous phases involved in the China Lake alewife restoration project which was scheduled to begin in early July has not transpired as of yet. This involves dewatering the Masse Dam impoundment in anticipation of the Masse Dam removal in August. There have been numerous protests by area residents which could be the reason behind the delay and a further review by the Department of Marine Resources.

Mr. LaCasse and Mr. Zetterman, KWD’s Director of Water Quality, have provided one of the leading forces behind the Alewife Restoration Initiative with accurate historical information and other data regarding China Lake and the Kennebec Water District to correct some inaccurate assumptions being used in some recent ARI presentations.

C. Other

Mr. LaCasse mentioned that KWD, along with the assistance of Maine Power Options, monitors days that are deemed as potential peak electrical capacity days. Recently, there have been numerous days predicted to be the possible “peak” day of the year. During these peak power days, operations are adjusted, and typically, the WTP, Chase Avenue Pump Station, and Western Avenue Pump Station are shut down for a portion of the day. If KWD is not utilizing power during these peak times, the forward capacity charges are off-set for subsequent years. Although the operational changes result in some overtime costs, because of this effort KWD has realized significant savings over the past several years.

Motion by Trustee Earickson, “to accept the General Manager’s Report as presented,” seconded by Trustee Dornish.

Vote: Motion carried unanimously.

ITEM 8: EXECUTIVE SESSION (IF NECESSARY)

None

ITEM 9: PUBLIC PARTICIPATION

None

ITEM 10: TOUR OF SOUTH STREET COMPLEX

This tour was conducted after the adjournment of the regular meeting.

Motion by Trustee Sanzenbacher, “to adjourn the meeting,” seconded by Trustee Earickson.

Vote: Motion carried unanimously.

Meeting adjourned at 8:40 a.m.

Sue Markatine, Recording Secretary