

**KENNEBEC WATER DISTRICT
REGULAR BOARD OF TRUSTEES MEETING
THURSDAY – JUNE 16, 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; Mark McCluskey, Trustee; Bill Boucher, Trustee; Patricia Gorman, Trustee

Trustees absent: Joan Sanzenbacher, Trustee; Gary Coull, Trustee

Also present: Jeff LaCasse, General Manager; Jefferson Longfellow, KWD Engineer; 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 2, 2016.

Motion by Trustee Talbot, "to accept the minutes of the Regular Board of Trustees' Meeting of June 2, 2016," seconded by Trustee Gorman.

Vote: Motion carried unanimously.

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

June 16, 2016

CHECKS RELEASED		Check	Dollar
Vendor	Description	Date	Amount
Postmaster	Bulk Mail Postage-Billing	05/31/16	371.54
Kennebec County Reg. of Deeds	Water Lien Discharge-1 Property	06/02/16	22.00
Somerset County Reg. of Deeds	Water Lien Discharge-1 Property	06/02/16	22.00
Bluetarp Financial Inc.-Aubuchon	Hydrant Marking Paint Supplies/Hose Nozzels	06/03/16	165.16
Central Maine Power	Monthly Electricity-Variou Locations	06/03/16	6,355.37
Constellation NewEnergy Inc.	Monthly Electricity-Variou Locations	06/03/16	6,935.13
Fastenal Company	Hearing Protection Earmuffs	06/03/16	54.44
GWI	Monthly Internet Service	06/03/16	224.70
J & S Oil Company Inc.	Diesel Fuel	06/03/16	205.11
Kennebec Sanitary Treatment Dst.	Qualified Rigger Training-Lunch Cost Split with KSTD	06/03/16	57.94
Kennebec Water District	Monthly Petty Cash	06/03/16	41.40
Maine Oxy/Spec. Air Gases	CO2 Cylinder Exchange	06/03/16	36.54
Maine Water Works Supply	Gate Box Tops/Covers/Tee/Butterfly Valve/Socket	06/03/16	4,723.61
Workplace Health	Evidential Breath Screening Random Test-1 Emp.	06/03/16	40.00
E. J. Prescott Inc.	K-Horns/2" Meter/Pack Joints/Credit for Ret. of Grip Rings	06/03/16	2,022.64
David Morin	Spring Clean-Up & Mowing-Variou Locations	06/03/16	2,985.00
United States Cellular	Monthly Cell Phone Service	06/03/16	82.32
G H Berlin Windward	Diesel Fuel Biocide/Oil-Variou Grades/Grease-WTP	06/03/16	874.31
Maine Public Emps. Retirement	Monthly Employer Contribution	06/03/16	6,817.81
Treasurer, State of Maine	Monthly Sales Tax	06/03/16	2,518.26
MainePERS	Monthly Group Life Premiums	06/03/16	680.32
Postmaster	Bulk Mail Postage-Billing	06/09/16	306.91
TOTAL WARRANT			\$35,542.51

Motion by Trustee Talbot, "to ratify the total warrant of checks released for \$35,542.51", seconded by Trustee Earickson.

Vote: Motion carried unanimously.

B. February Financials

As part of their packet, the Trustees were provided with a copy of the February financial reports, and a brief review was conducted. The February 2016 metered sales' industrial revenue, of which the Huhtamaki Manufacturing Plant is the primary customer, are above February 2015 by \$21,038 boosting 2016 year-to-date net operating revenues slightly above 2015.

The 2016 year-to-date operating expenses are below 2015 by \$24,478. The 2016 salaries and wages category is below 2015 by \$19,242. As was mentioned at the previous meeting, this is chiefly due to having one fewer employee on the payroll during the 2016 time period and having new employees hired at the starting point of the wage scale. The 2016 employee pensions and benefits category is above 2015 by \$24,357. Mr. LaCasse explained that this is due to the fact that KWD (rather than MainePERS possessing and utilizing the KWD pension fund monies) received its surplus monies and is now required to record the MainePERS employer contribution as a monthly expense.

Trustee Hodsdon observed that the 2016 transportation expense category is below 2015 by \$13,301. Mr. LaCasse indicated this is due to having less vehicle repairs during the first two months of 2016.

The 2016 year-to-date M-4 revenue is below 2015 by \$12,160. However, Mr. LaCasse stated that in March M-4 generated on a daily basis which will improve revenues. As of late, M-4 has not been generating a great deal due to little precipitation and resultant low river flow. Additionally, during the month of June there is a requirement to maintain a stable lake level due to loon nesting season.

Overall, the 2016 year-to-date net income is above 2015 by \$17,186.

Regarding the cash-flow report, Trustee Hodsdon stated that having the surplus funds KWD received from MainePERS as a separate line item is a good detail. Mr. LaCasse confirmed that this line-item balance is reduced on a monthly basis by the amount paid for the KWD employer contribution.

C. Follow Up Discussion on Auditor Recommendations

At the June 2nd meeting, the Trustees discussed in depth the recommendations for improvements from KWD's auditing firm, Runyon Kersteen and Ouellette (RKO). At the request of the Board, Mr. LaCasse polled a few Maine water utilities similar in size to KWD to inquire their means of managing and comments regarding most specifically the segregation of duties request by RKO. As part of their package, the Trustees were provided with a copy of the responses Mr. LaCasse received from these water utilities staff members. The utilities which responded commented that improving segregation of duties is a recommendation made to almost all districts on an annual basis by auditors. Essentially, it is the auditing firm's duty to point out the concern of potential fraudulent opportunities. Overall, the general consensus is that total segregation of duties for utilities of KWD size or even some larger utilities with limited staff is fundamentally difficult. There were also comments that it is unheard of that a Finance Manager is denied signing authority on bank accounts just because he/she has access to the general ledger as this is one of the manager's normal job functions. A few of the remarks did indicate that for an added internal control, some utilities have a dual signature requirement for either all checks or for checks over a set dollar amount. A few of the Trustees felt this could be a consideration for KWD but did express a concern that this extra requirement could interfere with the ability of KWD to conduct day-to-day business.

Also at the request of the Board, Mr. LaCasse solicited advice and ideas from RKO to improve upon the segregation of duties concern, and the Trustees were provided with a copy of RKO's response at today's meeting. Trustee Dornish made the observation that the solutions submitted by RKO were rather vague with no real resolution. RKO even admitted that "many of our clients cannot completely eliminate this risk".

In addition to this information, the Board was provided with and Mr. LaCasse reviewed the flow charts of the KWD accounting transaction processes and detailed guidelines of the accounts payable approval authorizations and procedural functions. These documentations further prove that KWD has numerous procedures and multiple security processes performed on a daily basis for all aspects of the KWD financial processing leaving minimal risk for fraudulent activity. The fact that all checks are consecutively numbered by the MUNIS computer software during processing and printing was also reiterated.

Mr. LaCasse again emphasized that these are suggestions for improvements by RKO and can be incorporated in full or in part as deemed appropriate and applicable to KWD and the Trustees. He will compile a written report addressing each of the recommendations and present it to the Board for review at a future meeting. Trustee Hodsdon suggested an organizational chart could aid the Trustees in further understanding the flow of the organization.

D. Maine Municipal Bond Bank Project Funding Approval

Mr. LaCasse informed the Board that the Maine Municipal Bond Bank (MMBB) met on June 14th to review and approve applications for bond funding, including KWD's. Mr. LaCasse and KWD's bond counsel attempted to contact the MMBB on June 15th to inquire if KWD had been officially approved for the Western Avenue Pump Station capital project funds, but MMBB staff was not available. Although presumably KWD will be approved, this bond issuance request differs from others in the past. Because this project encompasses two years and because the bonding process is quite complicated, Mr. LaCasse requested the Bond Bank to execute one bond issuance. There was an indication that KWD would be approved for interim financing and one long-term bond issuance for the approximate \$3 million would be permitted with the bond funds available around April 2017. Trustee McCluskey asked if KWD has been utilizing monies from the KWD invested checking to pay the WAPS contractor, Wright Pierce Engineers, for work completed to date and also inquired if KWD will be reimbursed for these funds. Mr. LaCasse replied KWD has been fronting the payments and the plan is for reimbursement of these costs. Once the approval has been officially granted, he will file an application for reimbursement of these funds. Trustee McCluskey also inquired the amount of interest KWD will be paying for the interim financing, and asked if KWD should utilize its cash on hand instead of requesting interim funding and paying interest. Mr. LaCasse replied that the interest rate should be minimal; however, he will not know the details until there is a response from the MMBB. Trustee Hodsdon commented that because the interest is expected to be low, he is in favor of utilizing the MMBB funds for the interim financing rather than reducing the KWD cash balance.

E. Other

None

ITEM 4: MOTION ISSUES

A. Potential Resolutions Required by Bond Counsel

Because the formal approval from the MMBB for the WAPS bond funds has not been ascertained, there is no borrowing resolution available for consideration at today's meeting.

B. Other

Mr. LaCasse recently received notification from Maine Power Options (MPO) regarding fuel oil program offers for the majority of the KWD heating fuel usage (approximately 12,000 gallons) at its WTP facility which has a 6,000 gallon tank and receives shipments of up to 2,000 gallon increments. KWD does not combined this fuel bid with the South Street facility, which utilizes about 2,000 gallons annually, because the smaller tank at this location requires more numerous deliveries which tends to drive up the delivery cost. It was explained that the MPO monitors the market, and

when it projects and optimal price point, it will solicit suppliers statewide in order to achieve pricing for its customers. Amongst the bids received, there are typically a couple choices offered by each supplier, a fixed price or a rack plus price (approximate purchase price paid by supplier plus a fixed amount of overhead). If the rack plus pricing is chosen, usually there is the option of switching to a fixed price up to a predetermined date. In response to Trustee Hodsdon's question regarding price, Mr. LaCasse stated the present MPO prospectus predicts the bid prices at the minimum of \$1.76 per gallon. MPO expects the timing of the bids to be on June 23rd. With any fuel bid process, after the bid opening date or when a price is proposed, the vendor usually requires an almost immediate commitment. Because the next Board meeting is not schedule until July 7th and the bid timing is June 23rd, Mr. LaCasse is seeking Board approval to accept the low offer for fuel oil when proposed. Trustee Fuller commented that he has been monitoring the market and conditions favor an upsurge in oil prices; therefore, he is in support of locking in at a fixed price rather than a rack plus price.

Motion by Trustee Dornish, "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 2016-2017 heating season for the WTP," seconded by Trustee Gorman.

Vote: Motion carried unanimously.

ITEM 5: TRUSTEES

A. Comments, Concerns, Ideas

None

B. NEWWA Annual Conference Notice

Mr. LaCasse informed the Trustees that the New England Water Works Association fall conference is scheduled from September 18th to September 21st at the Omni Providence Hotel in Providence, Rhode Island. Trustees can either register themselves or inform Mr. LaCasse if they are interested in attending. The Board members were reminded that KWD pays for water-related registration fees and seminars attended by the Trustees. Above and beyond these fees and the payment for meeting attendance, Trustees also may receive reimbursement for travel (including to and from the Board meetings) and expenses up to a maximum of \$500 per year.

C. Other

Typically, the Board holds only one meeting per month during the summer. Because of the many upcoming events which will require Board action, Mr. LaCasse recommended holding the next meeting on the regularly scheduled date, July 7th. At this meeting, the date of the next meeting will be determined.

ITEM 6: ENGINEER'S REPORT

A. Engineer's Report

China Lake Elevation: 171.8

Stream Flow: 15 cfs

Work has begun to create a complete record of the KWD Intake Building and the surrounding area. Since the weather is nice, we are getting the ground area surveyed with the plan to make a complete set of drawings for the current configuration of the building. Because the building has been modified over the last 110 years, we have to get the information from several different drawings, and then have to understand what has been changed with each renovation. With one set of drawings for the current conditions, the information can be understood at first glance. When Josh, KWD's Assistant Engineer, has not been working on this project, he has been enhancing the service and main locations for the Geographic Information System (GIS).

Wright-Pierce continues to work on the pumping station plans and will soon have their drawings and specifications at the 90 percent completion point. This has required several long discussions on how to configure the supervisory control and data acquisition (SCADA) at the Western Avenue Pumping Station (WAPS). KWD has elected to have the configuration match its needs instead of Wright-Pierce's standard, which has led to numerous calls and counter proposals. In the end, we would rather do the work in a manner that works for KWD, not someone else's typical layout.

The work on Union Street, Waterville, is scheduled to start on June 20th with the tap on KWD's 20-inch main on Front Street and then working uphill to College Avenue.

M-4 has had enough water to have it run for a few shifts. Essex Hydro could not get it to work the first day, so water had to be bypassed. When this was done, one of the eel ramps was damaged and now has to be reset. I was able to get the station running the next day, but we may have to do some more permanent repairs to the speed sensing switches.

Jefferson Longfellow, P. E.

Mr. Longfellow also informed the Board that the final paving is being completed on Brook Street, Fairfield, in the area T. W. Clark replaced the water main in the fall of 2015.

There was a main break on the Augusta Road, Winslow, and the Town would like this area repaved before the July 4th activities. Mr. Longfellow is unsure if KWD will be able to meet this time request.

Mr. Longfellow informed the Board that a pipe valve will be repaired near the Messalonskee Stream. On a positive note, KWD will not be required to obtain a permit from the Department of Environmental protection for this project due to a municipality exception rule.

Trustee Hodsdon asked for a further explanation of the M-4 problem referred to in the aforementioned report. Mr. Longfellow responded that there was a loose coupler which controls the speed sensing switches which needed to be tightened. While Mr. Longfellow was working to fix this issue, he discovered that a majority of the lighting at M-4 are out of commission. He has contacted an electrical company, and the recommendation is to replace the high intensity discharge lighting with LED lighting.

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

Vote: Motion carried unanimously.

ITEM 7: GENERAL MANAGER'S REPORT

A. Project Update (Twin Tanks, Pump Station, Intake)

Mr. LaCasse informed the Trustees that at the Twin Tanks site, DN Tanks is re-grouting the area on the East reservoir tank that had some flaking concrete on the top of the rim. This had become a safety issue as there was potential for falling concrete at this site. In addition to this, the outside of this tank will be cleaned and a mildew inhibitor will be applied.

On a different subject, Mr. LaCasse recapped that in 2015, divers were brought in to clean the sediment from the inside of the two concrete clearwell tanks at the WTP. The evaluation of the outside of the tanks has determined that both tanks are exhibiting cracking near the top sections and this should be promptly addressed. Mr. LaCasse recommended shifting the 2016 capital funds of \$77,000 proposed and approved for the first phase of the WTP roof upgrade to the project of cleaning, sealing, and recoating the tops of both clearwell tanks. Although the roofing upgrade is important, it is not as imperative as the clearwell project and can be postponed until next year.

Mr. LaCasse stated KWD received three quotes for this project with the lowest being from Standard Waterproofing, Inc. for \$45,000 for this project. Trustee McCluskey asked if the materials which will be utilized by Standard Waterproofing, Inc. needs to be national sanitation foundation (NSF) approved. Mr. LaCasse responded that the substances which will be utilized are industry standard and will not come in contact with the drinking water. However, he will contact the Maine Drinking Water Program to ascertain this information. In addition to the repairs to the clearwells, at the WTP there are some inside walls close to the filters which are beginning to flake. Standard Waterproofing, Inc. has also provided a quote to clean and coat these walls at \$22,195. Mr. LaCasse proposed that both these projects be completed for the total cost of \$67,195. He also informed the Board that because these are maintenance and repair projects, for financial purposes these will be an expense line item rather than a capital line item.

Motion by Trustee McCluskey, "to authorize the General Manager to contract with Standard Waterproofing, Inc. to perform the clearwell and wall projects at the WTP for the cost of \$67,195 with this project being in lieu of the WTP roof replacement project," seconded by Trustee Fuller.

Vote: Motion carried unanimously.

The next project update was regarding the WAPS. Due to this extensive project, Mr. O'Brien, KWD's Customer Service Manager, is evaluating the best means to relocate the Meter Department and its inventory from the WAPS to the newly purchased property on South Street. Wright-Pierce, the engineering firm for this project, has recently provided KWD with the proposals for the controls including the SCADA system for review and commentary. Expectation is that the 90-percent design documents should be received shortly, and then the bid process for other contractors can commence. Trustee Earickson asked and Mr. LaCasse confirmed that security of the system will be a major consideration. Trustee Fuller mentioned that he is aware of potential legislation in Washington, D.C. which would basically require all automated systems to be equipped with a manual override in the

event of an occurrence. Mr. LaCasse commented that available manual operations with procedural instructions will be a component at the WAPS as it is at the WTP.

The last update was regarding the Intake Building project. Sheridan Construction is waiting for the shipment arrival of a hatch. As soon as this is received it will be installed, and the project will be completed.

B. Alewife Restoration Initiative (ARI) Project – New Information

The Trustees were provided with an article published in The Town Line entitled “Webber Pond Fish Kill Probably Due to Warm Weather”. The editorial refers to a couple dozen dead alewives washing up on the banks of Webber Pond. After some investigation and discussions with professionals in fish and wildlife fields, the author concluded that the most probable cause for this was due to warm water conditions causing stress on older fish which are in a weakened post spawn condition. Mr. LaCasse commented that in China Lake, the water temperature has been lower than in the past few years, but there has been an early algae bloom which decreases the oxygen in the water and could cause stress on the fish habitation. Mr. LaCasse mentioned that although this was a minor case of fish die-off, if the ARI and other affiliated groups are successful with restoring alewife passage to China Lake, an occurrence similar to this with more numerous fish would be detrimental to the water, adding contamination and pollution to the raw water.

Continuing with the ARI discussion, Mr. LaCasse mentioned that there was also an article in the Morning Sentinel entitled “Some Residents Uphappy with Planned Vassalboro Dam Removals”. He commented that this article presented the sides of both groups, coalitions for and coalitions against the dam removal and ARI project. There were pictures circulated amongst the Trustees of the Outlet Stream at the time the dams, Lombard and Massey at separate times, were taken off-line in order to conduct repairs. These pictures demonstrate the dramatic changes, from a full flowing stream to an extremely low stream, if these dams were removed, and the challenges the alewife population would face attempting to migrate.

KWD’s position has been to remain neutral regarding the alewife restoration plan, and with the contention that ratepayers’ monies should not be used to fund a fish passage project. KWD does have a wealth of information regarding the intricacies of China Lakes and will provide data on its own account if deemed appropriate or if requested by the parties involved regarding this subject.

C. MUNIS ASP and SENSUS Analytics

As part of their packets, the Trustees were provided with Software as a Service (SaaS) information sheets from Sensus and Munis. Mr. LaCasse reviewed that KWD has two Sensus servers which are used solely for the FlexNet fixed-based radio meter read system, one Munis server which is dedicated to the financial and accounting software applications, one network server which hosts the remainder of the KWD computer applications including file sharing and e-mail, and the SCADA system which controls and monitors the operational functions.

Both Sensus and Munis are offering “cloud” solutions for the data systems; basically, having the software hosted at a secured location off site. Several advantages of this is as follows but not limited to: 1) Customer service expertise and ongoing maintenance including updates; 2) Backup and disaster recovery service; 3) Separate firewalled network for each customer; 4) Replication of data to

prevent data loss. Mr. LaCasse has conversed with other utilities which have commissioned these services, and they are extremely pleased with the results.

Because the present KWD Munis server is close to the end of its useful life, the potential plan is to convert to the remote data center hosted and administered by Tyler Technologies. The cost could be close to par with the present cost to purchase and maintain (including computer consultant costs) a new server located at the Business Office. In 2017, the potential plan is to convert the KWD Sensus servers to the remote data center offered by Sensus.

Trustee McCluskey voiced some concern regarding these companies having proprietary control with the software systems and potentially forcing KWD to conduct costly updates. This is a consideration; however, the majority of the companies require software updates on a regular basis as they eliminate their support on the older versions eventually.

Trustee Hodsdon asked the view of Trustee Earickson, whose expertise is information technology. In Trustee Earickson's opinion, switching to remote data center hosting is a "no brainer". He read both proposals and was very impressed with the services being offered. He added that system security will be improved, and the staff at these locations are experts in their fields dedicating time to the technology 24x7.

Mr. LaCasse will solicit updated proposals from Munis and Sensus for these services and present them to the Board for discussion at a future meeting.

D. New FLSA Overtime Regulation

The Board was informed that the Department of Labor has updated the overtime regulation rules of the Fair Labor Standards Act (FLSA), and this new rule is effective as of December 1, 2016. Mr. LaCasse explained that salaried employees, as defined by the FLSA, who earn a set minimum of annual salary, are deemed exempt from receiving overtime pay. As of December 1st, the minimum annual base rate amount is being increased to \$47,476. In addition to this, the defining points for positions classified as executive, administration, and professional have been slightly revised. KWD has one staff salaried position, the Assistant Engineer, which could be affected by this change and could become eligible for overtime pay. Because the Assistant Engineer position is categorized as professional, Mr. LaCasse will discuss the job duties of this position with staff from the Department of Labor to clarify if this meets the criterion of exempt or non-exempt for overtime purposes in regards to the new regulations.

E. Other (School Lead Testing Update, etc.)

At the June 2nd meeting, Mr. LaCasse advised the Trustees that there had been a good response from the area superintendents and principals to his letter regarding lead testing in the elementary schools. However, to date, there remain some area schools which have not responded and requested the tests. On June 15th, at the various schools which asked for the tests, KWD staff took samples and delivered them to the State of Maine Lab for analysis. Mr. LaCasse will report on the results at the next meeting.

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

Vote: Motion carried unanimously.

ITEM 8: EXECUTIVE SESSION (IF NECESSARY)

None

ITEM 9: PUBLIC PARTICIPATION

None

Motion by Trustee Talbot, “to adjourn the meeting,” seconded by Trustee Boucher.

Vote: Motion carried unanimously.

Meeting adjourned at 8:55 a.m.

Sue Markatine, Recording Secretary