AGENDA
PORTLAND WATER DISTRICT
225 Douglass Street, Portland, Maine
Jeff P. Nixon Training Center
6:00 p.m., Monday, February 25, 2019

1. **Convene Meeting** with Pledge of Allegiance and moment of silence.  
   President Lunt

2. **Roll Call**  
   Clerk

   President Lunt

4. **Invitation for Public Comment**  
   President Lunt

5. **Reports:**
   - Operations Committee Reports  
     Trustee Siviski
   - Planning Committee Reports  
     Trustee Levinsky
   - Administration & Finance Committee Reports  
     Trustee Willey
   - General Manager’s Report  
     General Manager

6. **New Business**
   - **Order 19-005** authorizing allocation of the 2018 Water Fund Surplus Balance.  
     Administration and Finance Committee
   - **Order 19-006** authorizing the transfer of the 2018 annual operating fund change to the respective capital renewal and replacement funds for Cape Elizabeth and Portland wastewater funds.  
     Administration and Finance Committee
   - **Order 19-007** authorizing the General Manager to execute a contract with Wipfli LLP for audit services.  
     Administration and Finance Committee
   - **Order 19-008** authorizing actions related to the Fore River Pump Station Phase II Upgrade Project.  
     Operations Committee
   - **Order 19-009** approving amendments to the District’s Watershed Land Conservation Policy.  
     Planning Committee
   - **Order 19-010** approving Policy 640, Private Fire Protection.  
     Planning Committee
   - **Order 19-011** authorizing salary adjustment for the General Manager.  
     President Lunt

7. **Executive Session.** A motion may be made to go into Executive Session at any time during the meeting to discuss, pursuant to 1 M.R.S. §405(6)(A) personnel, 1 M.R.S. §405(6)(C) real estate, 1 M.R.S. §405 (6)(D) labor negotiations, or 1 M.R.S. §405(6)(E) legal matters.  
   President Lunt

8. **Other Business.** An item may be added to this agenda provided seven trustees vote to waive the rule regarding agendas.  
   President Lunt

Over
9. **Second Invitation for Public Comment.**
   President Lunt

10. **Trustee Comments.**
    President Lunt

11. **Adjournment.**
    President Lunt

Donna M. Katsiaficas
Clerk
Portland Water District

Board of Trustees Regular Meeting

February 25, 2019

New Business

Agenda Items 6A-6G
BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

Agenda Item: 6A Order 19-005
Date of Meeting: February 25, 2019
Subject: Allocation of 2018 Water Fund Surplus
Presented By: David Kane, Treasurer

RECOMMENDATION
The following proposed language is presented for Board of Trustee approval:

ORDERED, that the 2018 annual operating fund change in the Water Fund is hereby allocated to the Operating Contingency Fund.

BACKGROUND ANALYSIS
The Water Fund financial results indicate an estimated annual operating fund change of $895,524, which is $733,769 better than budget. Per state law, the District may allocate any surplus balance generated from operations up to 5% of total revenue annually to the Water Supply Protection Fund. Based on preliminary 2018 results, up to $1,203,000 may be allocated to the fund. Last year, the Committee recommended allocating a portion of the operating surplus to the Capital Renewal/Replacement Fund.

The chart below reflects allocating the 2018 annual operating fund change ($895,524) to the Contingency Fund as recommended by the Administration and Finance Committee at their February 11, 2019 meeting.

<table>
<thead>
<tr>
<th></th>
<th>Contingency Fund</th>
<th>Water Supply Protection Fund</th>
<th>Board-Designated Cash Reserve</th>
<th>Total Watershed Protection Balance, December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 2017</td>
<td>$ 5,623,568</td>
<td>$ 2,318,482</td>
<td>$ 661,915</td>
<td>$ 2,980,397</td>
</tr>
<tr>
<td>2017 Net Income Allocation</td>
<td>$ 367,387</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Subtotal December 31, 2017 Restated</td>
<td>$ 5,990,955</td>
<td>$ 2,318,482</td>
<td>$ 661,915</td>
<td>$ 2,980,397</td>
</tr>
<tr>
<td>2018 Authorized Transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Sales-Done (3 Dog Leg and Rt 237 Relocate)</td>
<td></td>
<td>$ (730,961)</td>
<td>$ -</td>
<td>$ (730,961)</td>
</tr>
<tr>
<td>2018 Operating Income after Additional R&amp;R contribution</td>
<td>$ 895,524</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Balance, December 31, 2018</td>
<td>$ 6,886,479</td>
<td>$ 1,587,521</td>
<td>$ 661,915</td>
<td>$ 2,249,435</td>
</tr>
<tr>
<td>Board Policy Target</td>
<td>$ 6,368,700</td>
<td></td>
<td></td>
<td>$ 3,547,611</td>
</tr>
<tr>
<td>(25% of Budget)</td>
<td></td>
<td></td>
<td>(15% of Revenues)</td>
<td></td>
</tr>
</tbody>
</table>
LEGAL REVIEW
Corporate Counsel reviewed the proposed motion and approved it as to form.

CONCLUSION(S)
The Administration and Finance Committee reviewed and recommended the annual operating fund change be allocated to the Operating Contingency Fund.

ATTACHMENT(S)
Estimated Water Fund Financial Results (refer to Attachment A).
### Estimated 2018 Water Fund Results

#### Operating Fund Summary (YTD % = 100%)

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Actual</th>
<th>Budget</th>
<th>YTD Percent</th>
<th>YTD Diff $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Sales</td>
<td>24,069,983</td>
<td>23,650,742</td>
<td>101.8%</td>
<td>$ 419,241</td>
</tr>
<tr>
<td>Other Income</td>
<td>489,883</td>
<td>385,680</td>
<td>127.0%</td>
<td>$ 104,203</td>
</tr>
<tr>
<td>Interest Income</td>
<td>348,854</td>
<td>151,440</td>
<td>230.4%</td>
<td>$ 197,414</td>
</tr>
<tr>
<td>FEMA Reimbursement</td>
<td>-</td>
<td>-</td>
<td>n/a</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,908,721</td>
<td>24,187,862</td>
<td>103.0%</td>
<td>$ 720,859</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expense</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expense</td>
<td>15,877,913</td>
<td>15,834,619</td>
<td>100.3%</td>
<td>$ 43,294</td>
</tr>
<tr>
<td>Renewal &amp; Replacement</td>
<td>3,134,127</td>
<td>3,134,123</td>
<td>100.0%</td>
<td>$ 4</td>
</tr>
<tr>
<td>Debt Service</td>
<td>4,930,897</td>
<td>4,995,077</td>
<td>98.7%</td>
<td>$ (64,180)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,942,937</td>
<td>23,963,819</td>
<td>99.9%</td>
<td>(20,882)</td>
</tr>
</tbody>
</table>

- **Current Year Surplus (Deficit)**: 965,781 / 224,043
- **OPEB Surplus Allocated**: 99,955 / 0
- **Transfer to Capital Reserve**: -179,215 / -52,288
- **Net Change**: 895,524 / 161,755

**Prior Year Surplus (Deficit)**: 5,990,955 / 6,320,897
**Accumulated Surplus (Deficit)**: 7,782,002 / 6,544,407
BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

Agenda Item: 6B Order 19-006
Date of Meeting: February 25, 2019
Subject: Allocation of Annual Wastewater Net Income
Presented By: David Kane, Treasurer

RECOMMENDATION
The following proposed language is presented for Board of Trustee approval:

ORDERED, that all of the 2018 annual operating fund change in the Cape Elizabeth Wastewater Fund is hereby transferred to their Capital Renewal and Replacement Fund; and

BE IT FURTHER ORDERED, that the amount of the 2018 annual operating fund change in excess of $66,000 in the Portland Wastewater Fund is hereby transferred to their Capital Renewal and Replacement Fund.

FISCAL REVIEW / FUNDING
Due to 2018 expenses being less than the budget, the Cape Elizabeth and Portland Wastewater Funds had a positive annual operating net change. The other wastewater funds had a negative annual operating net change, as expenses were higher than expected. (See 2018 Net Change amounts in the table below.)

Cape Elizabeth’s and Portland’s annual surplus can be added to their respective operating contingency fund balance, capital renewal and replacement fund balance or returned to the municipalities. It is recommended to allocate the portion of the annual surplus to bring the operating contingency balance up to the target balance with the remaining balance allocated to the renewal and replacement fund.

Each municipality’s operating and capital fund balance is listed below with a comparison of the balances to the target balance established by Board policy. All funds currently have cumulative operating contingency fund balances in excess of the Board policy target balance, except for Gorham and Windham. Westbrook’s and Windham’s Renewal and Replacement fund balance is in excess of target with the other municipalities balance below the target. The R&R balances in excess of the target may be used to finance larger projects that typically would have been bond financed and reduce future debt service payments.
### Operating Funds:

<table>
<thead>
<tr>
<th></th>
<th>1/1/2018 Balance</th>
<th>2018 Net Change (Unaudited)</th>
<th>1/1/2018 Balance</th>
<th>Target (25% of Budget)</th>
<th>Over/(Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Elizabeth</td>
<td>$432,321</td>
<td>$33,549</td>
<td>$465,870</td>
<td>$396,764</td>
<td>$69,106</td>
</tr>
<tr>
<td>Cumberland</td>
<td>$328,678</td>
<td>($82,198)</td>
<td>$246,480</td>
<td>$228,836</td>
<td>$17,644</td>
</tr>
<tr>
<td>Gorham</td>
<td>$310,000</td>
<td>($50,051)</td>
<td>$259,949</td>
<td>$288,239</td>
<td>($28,290)</td>
</tr>
<tr>
<td>Portland</td>
<td>$3,150,009</td>
<td>$367,066</td>
<td>$3,517,075</td>
<td>$3,215,655</td>
<td>$301,420</td>
</tr>
<tr>
<td>Westbrook</td>
<td>$844,744</td>
<td>($155,667)</td>
<td>$689,077</td>
<td>$659,990</td>
<td>$29,087</td>
</tr>
<tr>
<td>Windham</td>
<td>$109,099</td>
<td>($35,896)</td>
<td>$73,203</td>
<td>$93,365</td>
<td>($20,162)</td>
</tr>
</tbody>
</table>

### Renewal and Replacement Funds:

<table>
<thead>
<tr>
<th></th>
<th>12/31/2018 Balance (Estimated)</th>
<th>Target (5% of Asset)</th>
<th>Over/(Under Budget)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Elizabeth</td>
<td>$188,325</td>
<td>$815,000</td>
<td>($626,675)</td>
</tr>
<tr>
<td>Cumberland</td>
<td>$186,674</td>
<td>$389,000</td>
<td>($202,326)</td>
</tr>
<tr>
<td>Gorham</td>
<td>$761,434</td>
<td>$882,000</td>
<td>($120,566)</td>
</tr>
<tr>
<td>Portland</td>
<td>$4,102,163</td>
<td>$5,601,000</td>
<td>($1,498,837)</td>
</tr>
<tr>
<td>Westbrook</td>
<td>$3,586,685</td>
<td>$1,073,000</td>
<td>$2,513,685</td>
</tr>
<tr>
<td>Windham</td>
<td>$271,716</td>
<td>$150,000</td>
<td>$121,716</td>
</tr>
</tbody>
</table>

**LEGAL REVIEW**

Corporate Counsel reviewed the proposed motion and approved it as to form.

**CONCLUSION(S)**

The Administration and Finance Committee reviewed at their February 11 meeting and concurred with staff’s recommendation to forward to the full Board for their consideration.

**ATTACHMENT(S)**

None
BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

Agenda Item: 6C Order 19-007
Date of Meeting: February 25, 2019
Subject: Audit Services
Presented By: Thomas Quirk, Finance Director

RECOMMENDATION
The following proposed language is presented for Board of Trustee approval:

ORDERED, the General Manager is authorized to execute a contract with Wipfli LLP for audit services for the fiscal years 2019 to 2022.

BACKGROUND ANALYSIS
The bylaws of the District require that an annual audit report on the financial affairs be prepared. In 2006, Macpage was selected, after reviewing proposals from five firms, to conduct the audit for the fiscal years 2007 to 2010. This agreement later was extended twice by the Board of Trustees to cover fiscal years 2011 to 2018. The prior auditors, Runyon Kerstein Ouellette (RKO), had conducted the audit for four years. Prior to that, the firm of Baker Newman Noyes had been the District’s auditor for almost 20 years. In the past year, Macpage merged with another organization called Wipfli LLP.

ALTERNATIVES CONSIDERED
Staff considered two alternatives – extending Wipfli’s contract or issuing a request for proposals (RFP) for interested auditing firms.

It is important that the Board of Trustees get an independent view of the District’s finances and controls. At the request of the Board, Wipfli agreed to a periodic rotation of both the engagement partner (the firm’s partner responsible for the conduct of the audit and resulting report) and the review partner (a separate partner who reviews the completed work and audit report). Wipfli has provided three different engagement partners during its time with the District and will be transitioning from the current partner to a different partner if the agreement is extended.
**FISCAL REVIEW / FUNDING**
The expiring contract provided a fixed price that ranged from $34,000 to $35,500 during the four years of the engagement for the regular audit and $3,500 for the single audit of federal funds, if necessary. Wipfli LLP is proposing the following for the next four years for the regular audit:

- 2019 - $34,000
- 2020 - $34,500
- 2021 - $35,000
- 2022 - $35,500

The current audit costs $35,500, including the single audit. Assuming a single audit it needed, the initial year increase is $2,000 or 5.6%. The fee would increase $500 each year or approximately 1.3%.

**LEGAL REVIEW**
Corporate Counsel reviewed the proposed motion and approved it as to form.

**CONCLUSION**
The Administration and Finance Committee reviewed and recommended executing a contract with Wipfli LLP.

**ATTACHMENT(S)**
A. Proposal letter from Wipfli LLP
B. Wipfli LLP Firm Profile
February 4, 2019

David Kane, Executive Director of Administration and Treasurer
Portland Water District
225 Douglas Street
P. O. Box 3553
Portland, ME 04104-3553

Dear David:

Our Firm has appreciated the opportunity to work with the District over the past twelve years and appreciate your consideration for an extension of our contract.

Our recent merger with Wipfli LLP has broadened the depth of expertise and services we provide to our governmental clients. Our plan is to give you the same local feel that you have been accustomed to in the past by staffing the partner and audit team from our Maine offices while bringing an unbiased perspective by integrating others from the national level on the concurring review of the audit and any other specialized services the District may need. Please see the attachment as it provides a good overview of the Wipfli governmental industry practice and services.

It’s our people who make all the difference. We are always eager to share advice, always there when you need us, and exceptionally easy to work with. In fact, it’s our people who make us one of the leading accounting and business consulting firms and one reason so many entities turn to us for strategic insight, operational resources, and financial services that make a defining difference.

We have been privileged to have a longstanding relationship with the District. Developing the necessary level of understanding to provide personalized client service takes years, and we hope that management and the Finance Committee will consider the institutional knowledge we have in its consideration to continue with our Firm.

We are proposing the following fee schedule for the next four years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial Statement Audit</th>
<th>Single Audit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$34,000</td>
<td>$3,500</td>
<td>$37,500</td>
</tr>
<tr>
<td>2020</td>
<td>$34,500</td>
<td>$3,500</td>
<td>$38,000</td>
</tr>
<tr>
<td>2021</td>
<td>$35,000</td>
<td>$3,500</td>
<td>$38,500</td>
</tr>
<tr>
<td>2022</td>
<td>$35,500</td>
<td>$3,500</td>
<td>$39,000</td>
</tr>
</tbody>
</table>

We have broken out the fees for the Single Audit which had previously been blended into our overall fee. The District is only required to have a Single Audit when it has expended more than $750,000 of federal award funding, in the past years the drawdown of bond funds associated with the Capitalization Grants for Clean Water State Revolving Funds was the main source of federal award expenditure. There were Single Audits performed in 2015, 2016, none for 2017, and we expect to complete a Single Audit for 2018. The financial statement audit fees are being held flat with the total fee previously proposed for the years 2015 through 2018, which included the Single Audit. Separating the financial statement audit and Single Audit fees should provide for a more equitable fee arrangement for both parties.

The fees proposed are not-to-exceed annual fees based on the current operations of the District. We will review the engagement annually with management for any significant changes to the services required. In the event we encounter accounting issues, or changes in accounting pronouncements, or if there are significant changes to your operations (such as changes in key financial and accounting personnel); we will work with management to assess the situation and will mutually agree on any changes in the scope of services or fees.
We also propose that after the 2018 audit, we will rotate the engagement partner to Christian A. Smith, CPA, CFE. Christian has over 27 years of experience serving governmental entities, he was previously assigned to your audit in the years 2015 through 2018, he will be able to provide a smooth transition in providing services to the District.

We appreciate the opportunity to continue to work with you and welcome a discussion of our proposal if you, the Board of Trustees or the Finance Committee has any questions.

Sincerely,

Jeffrey E. Hubert, CPA, MST

cc: Tom Quirk, Director of Finance
Government organizations across the United States face increasingly difficult challenges. They grapple with strict regulatory compliance issues, increased emphasis on transparency and accountability, and limited organizational resources. Delivering quality services while balancing growing expenditures against shrinking funding is top of mind for every leader in a publicly funded organization. To address these continuing challenges head on and to anticipate future requirements, your organization will need audit and consulting expertise that is focused on government organizations.

Wipfli has a dedicated practice group with experts who work solely for the government sector. Our government practice group works with more than 400 organizations at the local, state, and national levels.

ADDRESSING ISSUES ACROSS YOUR ENTIRE ORGANIZATION

To meet your goals, you must be successful in all operations of your organization. That’s why we created a well-trained, highly specialized, and dedicated group of professionals to provide audit and consulting services to government entities. Our knowledgeable professionals will share the best practices we’ve learned serving publicly funded groups like yours, with partner involvement included in every engagement. Wipfli’s audit and accounting professionals can help you in areas such as financial reporting and cost-accounting systems, financial statements, internal audits, assurance services, and even temporary personnel. We also assist in preparing projections and analyses for financing arrangements such as bond issues, tax anticipation notes, bank financing, and leases.

PROVEN SOLUTIONS THAT FIT YOUR GOVERNMENT ORGANIZATION

The strength of each component of your operations and the connections between them are critical to the effectiveness of the entire organization. Wipfli helps you identify the gaps in operations that stand in the way of your success. Then, we work alongside you to implement the changes necessary to achieve your goals.

Wipfli’s operations consulting services are carefully designed to help you manage your organization and reduce costs. Our information technology consultants work with you in all areas of planning, selecting, and applying appropriate technology. Following a thorough analysis of your business, we match technology tools with your immediate needs and long-term goals.

As your largest expense, human resources (HR) management is also one of your greatest concerns. We can help you effectively manage your HR functions through sound planning and management practices.
Profile of the Firm

Firm experience: A national leader
For more than 85 years, nonprofit and government organizations throughout the United States have relied on the experienced professionals at Wipfli for advice. Wipfli is a multidiscipline, regional professional services firm.

We are the second-largest professional services firm in Wisconsin as well as one of the largest accounting firms in the United States. Our firm has grown at a rapid pace for many years to acquire more specialized expertise in various industries. At Wipfli, the District will have access to the resources of a large regional firm and will receive the personal attention of a local firm.

Our focus and dedication to industry segments provides our clients’ access to business experts in their industry. We offer training, webinars, products, services, and other proactive information that will help our clients shape their organizations, assist their communities, and stay in compliance.

Membership in Allinial Global
Wipfli is a member of Allinial Global. Allinial Global is an association of independent accounting firms. Our membership in Allinial Global provides direct and indirect benefits to our clients in many ways.

- Client representation can be provided throughout the country and the world.
- Shared technical experience among member firms assures high quality work for our clients.
- Sharing of knowledge and skills among member firms permits us to provide additional expertise in the handling of any business problem. In fact, Allinial Global-affiliated Firms have a collective staff of more than 5,000 professionals in North America and more than 14,700 worldwide.
- Comprehensive, continuing professional education programs are available to the partners and staff of all Allinial Global member firms.

Membership in Allinial Global represents our continuing effort to provide the highest quality services available. It supports our philosophy of taking our clients’ responsibilities seriously and recognizing the need to consistently provide services which are efficient and cost effective.

For more information on Wipfli, please visit us at wipfli.com.
Quality Control and Assurance

Our professionals must meet rigorous standards. Only graduates with high academic achievement who exhibit qualities of leadership and exceptional communication skills are considered for employment at Wipfli. Wipfli is committed to training our professionals. To accomplish this, we maintain a continuing education program for our entire staff. We provide at least 120 hours of continuing professional education every three years to all our professional staff. Professionals who perform audits in accordance with Government Auditing Standards (Yellow Book) meet the annual education requirements in governmental continuing education. In addition, the firm complies with the Yellow Book independence standards as well. Our professionals regularly attend in-house education programs as well as programs conducted by the American Institute of Certified Public Accountants and a variety of professional organizations.

Because Wipfli LLP operates in a highly competitive environment, it is important to set and achieve the highest standards of quality. We believe this is good business. It helps ensure we have satisfied clients, and it gives us a positive basis for differentiating Wipfli from other firms. The effectiveness of our internal quality control program and procedures are independently evaluated every three years through our participation in the peer review program. Our firm has consistently received a pass opinion which means our system of quality control in the year of review met the objectives of quality control standards published by the AICPA and was being complied with. Our last peer review was performed for the year ended June 30, 2016. This peer review included a review of specific government engagements.

Our in-house inspection program covers all of our firm locations. Our program encompasses all of the elements of quality control. In addition to our inspection program, our quality control review procedures provide for partner concurring reviews of selected engagements before issuance of the financial statements, post-issuance of selected financial statements and obtaining independence statements from all of our personnel twice a year.

Mr. Dan Szidon is currently the quality control partner for our firm. It is his responsibility to administer our inspection program and he is also responsible for leading our peer review process that occurs every three years.

A Multidiscipline Professional Services Firm

With more than 2,000 associates, 51 offices in the United States and two offices in India, Wipfli ranks among the top 20 accounting and business consulting firms in the nation. For over 85 years, Wipfli has provided private and publicly held companies with industry-focused assurance, accounting, tax, and consulting services to help clients overcome their business challenges today and plan for tomorrow. The firm’s clients include manufacturers, construction companies, contractors and developers, real estate companies, health care organizations, financial institutions, insurance companies, nonprofit organizations, agricultural businesses, units of government, dealerships, and individuals. Through the firm’s membership in Allinial Global, Wipfli can provide efficient, cost-effective and comprehensive services to every client regardless of size or location.
The majority of our clients are middle-market companies that benefit from a range of consulting services that improve their financial situation and overall operation. Whether we’re helping clients streamline processes, improve performance, leverage the right technology, or increase financial success, we offer innovative, effective, and personalized services.

Wipfli currently has approximately 115 individuals with governmental auditing experience.

**Why Work With Wipfli?**
At Wipfli our primary objective is to help our clients achieve their organizational goals. This is achieved by providing customized solutions and working hands-on to understand our clients’ needs, develop a plan for action or corrective action, and implement the solution.

Our team is dedicated to the government, nonprofit and federally-funded industries full-time. Rest assured; we understand your industry, your organization, and your day-to-day practices. We pride ourselves on efficient and effective work during on-site visits, and it is our promise to treat you as any Wipfli team member. After all, our clients are our partners.

**Our Areas of Service**
Our services focus on improving the key components of every successful organization:

- Financial management
- Process and performance management
- Human resources
- Operations and organization structure
- Systems and information technology

Wipfli places a particular focus on specific industries, including government, nonprofit, construction/real estate, financial institutions, health care, and manufacturing/distribution. Members of many of Wipfli’s industry-focused teams meet regularly to discuss best practices and industry issues and updates. These meetings ensure our associates continue to provide clients with exceptional expertise and service.
Commitment to Sustainability
Wipfli LLP supports sustainability efforts, which consider present needs without compromising the ability of future generations to meet their needs. We use the four directions of the compass as our lens for sustainability: N—Nature, E—Economy, S—Society, W—Well-being. This ensures a balanced and holistic approach to sustainability planning and decision making for Wipfli’s clients and associates.

Our Team Approach
You can rely on a consistent, cohesive, and dedicated team of service professionals and industry-specific experts who draw from a wide range of collective knowledge and experience. Clients tell us our associates are a pleasure to work with, and they appreciate the time our associates take to understand their individual circumstances. Our partners also commit significant efforts to engagements, further ensuring client satisfaction. Team members arrive at Wipfli with considerable experience and knowledge, and they continue to develop their skills through continuing professional education. Recognizing the critical importance of engaged and satisfied associates, we regularly monitor and work to improve the engagement level of all associates.

The Best of Both Worlds
Since 1930, Wipfli has been creating value and securing the future of our clients, their businesses, and the community at large. As we look to the future, we continue to strive to be the firm of choice, fueling the success of clients across multiple industries. With Wipfli, you gain the significant resources of a large accounting and consulting firm while enjoying the personal service of a small firm.
Peer Review Letter

System Review Report

To the Partners of Wipfli LLP
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Wipfli LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Wipfli LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Wipfli LLP has received a peer review rating of pass.

WEAVER AND TIDWELL, L.L.P.
Dallas, Texas
September 23, 2016
BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

Agenda Item: 6D Order 19-008
Date of Meeting: February 25, 2019
Subject: Fore River Pump Station Phase II Upgrade – Construction
Presented By: Gordon Johnson, Engineering Services Manager

RECOMMENDATION
The following proposed language is presented for Board of Trustee approval:

WHEREAS; the Board authorized the comprehensive method of engineering services for the Fore River Pump Station Phase II Upgrades in April 2017 (Project); and

WHEREAS; the Board authorized a service contract with Hazen and Sawyer in May 2017 for the Project,

ORDERED, the General Manager is hereby authorized to execute a service contract amendment with Hazen and Sawyer, in the amount of $250,000 for construction and application engineering services for the Fore River Pump Station Phase II Upgrade Project (CIP 2017 – 70/2424); and

BE IT FURTHER ORDERED, a construction contract with T. Buck Construction, Inc. is hereby authorized, in the amount of $2,657,222 for the Fore River Pump Station Phase II Upgrade Project (CIP 2017 – 70/2424); and

BE IT FURTHER ORDERED, that an amended total project budget (CIP 2017 – 70/2424) is hereby authorized, not to exceed $3,496,107; and that the General Manager, and the Treasurer, each acting singly, are authorized to take such steps as may be necessary to accomplish the intent of the vote.

BACKGROUND ANALYSIS
The Fore River Pump Station conveys wastewater flows from the West Deering and Stroudwater areas and was built in 1976 and the majority of the original screening, ventilation and electrical equipment remains in service today. A previous project, Phase I Upgrade, included replacing the four existing pumps with four new equally sized pumps, variable speed control, and instrumentation/control system upgrades.
As approved by Board resolution in April 2017, the comprehensive method for procuring engineering services was approved for use on this project, allowing the same firm to be utilized for preliminary and final design as well as construction services. A contract for design services with Hazen and Sawyer was approved by Board resolution in May of 2017. The design was completed in December 2018. The construction and application engineering services provided under the professional services amendment is $250,000.

The project received design review approval from the Maine Clean Water SRF Water Program and was put out to public bid on December 20th, 2018. Bids were received from two General Contractors on January 25th, 2019:

<table>
<thead>
<tr>
<th>No.</th>
<th>Contractor</th>
<th>Base Bid Price</th>
<th>Alternate 1 Screening</th>
<th>Alternate 2 Pneumatic Actuators</th>
<th>Alternate 3 HVAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>T. Buck Construction, Inc.</td>
<td>$2,022,222</td>
<td>$420,000</td>
<td>$99,000</td>
<td>$215,000</td>
</tr>
<tr>
<td>2</td>
<td>Penta Corporation</td>
<td>$2,480,000</td>
<td>$490,000</td>
<td>$125,000</td>
<td>$257,000</td>
</tr>
</tbody>
</table>

Value engineering conducted throughout the effort was incorporated into the design; however, the bid responses exceed the available budget for construction. Hazen and Sawyer performed a due diligence review and has determined that T. Buck Construction has the qualifications and resources to complete the project, and recommends that T. Buck Construction be considered the low responsive and responsible bidder. Per the Contract Documents, award must be based on the Base Bid excluding Alternates. The Contract includes three alternates: Bid Alternate 1 would upgrade the existing screening equipment and install screenings compaction, Bid Alternate 2 would add pneumatic actuators to the pump isolation valves, and Bid Alternate 3 would upgrade the existing HVAC system. Staff recommends proceeding with Bid Alternates 1 and 3 to address equipment that has exceeded its useful life.

The following project budget is proposed:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Board Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bypass Installation and Forcemain Assessment</td>
<td>$115,380</td>
<td></td>
</tr>
<tr>
<td>Design Phase Services Through Bidding</td>
<td>$273,505</td>
<td>May 2017</td>
</tr>
<tr>
<td>Construction and Application Engineering Services</td>
<td>$250,000</td>
<td>February 2019 (Proposed)</td>
</tr>
<tr>
<td>Construction</td>
<td>$2,657,222</td>
<td></td>
</tr>
<tr>
<td>Project Contingency</td>
<td>$200,000</td>
<td></td>
</tr>
<tr>
<td><strong>Project Total</strong></td>
<td><strong>$ 3,496,107</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Project #:** 2017-Subprogram 70/ Project 2424

**FISCAL REVIEW/FUNDING**
The $2.5M project is planned to be bonded in November 2019 through the Clean Water State Revolving Loan Fund (CWSRF) for 20 years at an interest rate of 1.5%. The 2020 debt service payment is $170,000. By using the CWSRF program, the District saves approximately $50,000. Increasing the project cost by $1 million would increase the 2020 debt service by $70,000.
Alternatively, the $1 million could be wholly or partially funded from the Renewal and Replacement Fund. The estimated 12/31/2018 fund balance is $4.1M. If the Board authorizes the increased project budget, the Administration and Finance Committee will review the options and make a financing recommendation.

This project is not anticipated to impact operational costs.

**LEGAL REVIEW**
Corporate Counsel has reviewed the proposed order as to form.

**CONCLUSION(S)**
Staff recommends awarding the contract to the lowest responsive and responsible bidder for the project, T. Buck Construction, Inc. and an amendment of the professional services contract with Hazen and Sawyer to reflect the provision of construction services and application engineering services of the Fore River Pump Station Phase II project. The Committee voted 3-0 to forward to the full Board for their consideration.

**ATTACHMENT(S)**
None
BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

Agenda Item: 6E Order 19-009
Date of Meeting: February 25, 2019
Subject: Watershed Land Conservation Policy Amendment
Presented By: Laurel Jackson, Water Resources Specialist

RECOMMENDATION
The following proposed language is presented for Board of Trustee approval:

ORDRED, that the District’s Watershed Land Conservation Policy, adopted in 2007 and subsequently amended, be further amended to include a requirement that the District acquire a real estate interest in conserved land to which it contributes.

BACKGROUND
Sebago Lake is an exceptional water supply with abundant volume of clean, clear water. Due to the lake’s excellent water quality, the District is able to avoid the filtration requirement of the Safe Drinking Water Act. One criterion for avoiding filtration is that the District must maintain an effective watershed control program. Additionally, the federal regulations state that “The adequacy of (such) program to limit potential contamination must be based on…the extent to which the water system has maximized land ownership and/or controlled land use within the watershed.” The Sebago Lake watershed comprises 234,000 acres of land in parts of more than 20 towns. Owning a substantial percentage of this land is not feasible, nor is it necessary to protect water quality. Working with other individuals and organizations who are seeking to conserve forested land effectively controls land use in the upper watershed without necessitating ownership by the District.

The long-term water quality of the lake is in large part a function of the condition of the land that makes up the watershed of the lake. The District’s Watershed Land Conservation Policy states the District’s commitment to and support for locally-initiated land conservation efforts. Participation in land conservation projects in cooperation with individual landowners and local land trusts has proven to be a successful way to protect forested land from development in recent years. However, staff recommends strengthening the program by making it a condition of our financial support of land conservation transactions that the District acquire some type of real estate interest in the conserved property. In this way, the District will acquire legal standing to enforce the terms of an easement at some future date, in the presumably unlikely event that should ever become necessary. This will add a layer of protection to the property should its legally conserved designation be challenged in the future.
ANALYSIS
This policy only applies to land in the watershed of Sebago Lake, meaning runoff from these conserved lands directly influences the water quality of Sebago Lake. A real estate interest in conserved land will strengthen protection of the water supply.

FISCAL REVIEW / FUNDING
The District would not assume any significant responsibility to inspect and enforce conservation requirements on these lands unless and until the primary conservation organization (typically a land trust) became unable to meet this responsibility. In the unlikely event that, in the future, inspection by the District became necessary, this could be accomplished efficiently with existing watershed staff and resources.

LEGAL REVIEW
Corporate Counsel has reviewed the proposal and has approved of the form of the proposed order.

CONCLUSION(S)
Acquiring a real estate interest in conserved watershed properties is consistent with the goals of the District’s Watershed Land Conservation Policy and will strengthen the protection of the water supply. The Committee voted unanimously to forward to the full Board for their consideration.

ATTACHMENT(S)
Land Conservation Policy (2007): It is the policy of Portland Water District to support measures to preserve Sebago Lake watershed land in perpetuity and to provide open space for lake-friendly public access. The District acknowledges that it is neither feasible nor necessary to own all land in the watershed. Instead the District will cooperate and partner with organizations and individuals who seek to conserve and manage their watershed lands in a manner that protects water quality and therefore protects the health of drinking water consumers.

Land Conservation Program (2013): Toward the goal of supporting Sebago Lake watershed landowners who seek to conserve their land in perpetuity, the District’s Board of Trustees will contribute between 0% and 25% of the estimated conservation value for qualifying projects. Proposed projects will be evaluated by staff for their water quality value and staff recommendation for financial support will be considered by the Board on a case-by-case basis.

I. PURPOSE
This policy describes the Portland Water District’s (The District’s) approach to protecting the long-term water quality of Sebago Lake, the source of drinking water for Greater Portland, through cooperative partnerships with landowners throughout the watershed. It furthers the lake protection principles that will guide the implementation of the policy.

II. BACKGROUND

IIA. MULTIPLE BARRIER APPROACH TO SOURCE PROTECTION
Water utilities nationwide employ a multi-barrier approach to protecting the health of their customers. These barriers include protecting the source, water treatment and disinfection, and monitoring and maintenance of the distribution system. The first and most cost-effective barrier is source protection. When the source is protected, all later protective barriers are more effective, less costly, and easier to establish and maintain.

IIB. MULTI-USE LAKES INVOLVE AN ELEMENT OF RISK
[Type here]
The most effective source protection strategy is to own and/or control watershed lands, particularly those closest to the water intakes. By owning land and/or keeping it in its natural state, hazardous chemicals and pathogens (disease-causing organisms) are not introduced to the watershed and therefore cannot contaminate the source. Other source protection strategies which do not include ownership or legal control of land, such as watershed and lake patrols or regulation of land uses, inevitably carry with them a higher element of risk than does direct ownership or legal protection. Allowing land to be developed and then regulating the subsequent human activity can protect a water body but, because chemicals and pathogens are introduced to the watershed in the form of septic systems, heating and other fuels, etc., there is always a possibility that control measures could fail and contamination of the source could occur.

**II.C. Activity Anywhere in the Watershed Can Contaminate**

Chemicals and pathogens which are introduced to a drinking water source sometimes do and sometimes do not have a significant impact on water quality in the public water system. This is because some chemicals are diluted or degraded to the point that they are no longer detectable and some pathogens die or lose their ability to infect as they travel through the natural environment before reaching the water intakes. Whether or not this occurs depends on many factors including the characteristics of the chemical or pathogen; the amount introduced; the temperature of the water body; and the travel time and distance between where the contaminant is introduced and the location of the water intakes, etc. Maine’s Source Water Assessment Program - a federally-mandated program designed to identify risks to water supplies - requires that threats to water quality be identified throughout the watershed of any surface water supply. This program underscores the fact that all land in the watershed contributes in some way to the overall quality of water in the source.

**II.D. Reason for a “Zoned” Approach to Protection**

Though activity throughout the watershed contributes to the quality of water in a lake, lands closer to the lake in general and closer to the intake in particular are more critical to protect. This is because runoff from nearby lands enters the lake with little opportunity for natural “cleaning.” This principle suggests that, when all watershed lands cannot be absolutely protected, protective efforts should be strongest on lands closest to the point at which water is withdrawn from the lake. Lands further away are also important, but their preservation is less critical. The District has operated with this governing philosophy since its establishment almost a century ago. The District has purchased approximately 2500 acres of watershed land surrounding the Lower Bay of Sebago Lake, the site of the water intakes, and has maintained a Watershed Control Program to minimize the impact of development activities on lands further away.

**II.E. Protection is Possible without Outright Ownership**

In 1999 the District adopted a policy for acquisition of lands located within the two-mile, no-bodily contact zone around the water intakes. In summary this policy states that the District will seek to acquire, from willing sellers, lands located within the two-mile limit which are also within 500 feet of the shoreline and/or are environmentally sensitive. However, even if all these lands were acquired and returned to their natural state, a great deal of land around Sebago Lake is already developed other lands are highly desirable for future development. Therefore additional protection is needed.
It is not the goal of the District to own all or even a majority of the land around the lake. This is neither feasible nor necessary. The District is committed to the concept of multiple uses of Sebago Lake and the surrounding watershed while encouraging lake friendly practices involving responsible development and reasonable, low-impact recreational opportunities. To this end, it is deemed appropriate to encourage and facilitate the conservation of lands outside the two-mile limit by owners or organizations who will keep them as much as possible in their natural state. If it is the intent of the landowner, continued use of conserved land as active managed forest is consistent with the District’s water quality goals.

III. LAND CONSERVATION PRINCIPLES

The protection of water quality, which benefits both customers of the District and all other users of Sebago Lake, can be furthered without direct ownership of land but rather through such methods as establishment of conservation easements by homeowners and support for land acquisition by groups and trusts whose mission it is to set aside land in its natural state. When land is purchased and activity restricted to low-impact, lake-friendly uses, most of the significant risks to water quality associated with typical development will be avoided. In addition to this direct benefit, establishment and maintenance of natural areas in the Sebago Lake watershed will have an incalculable educational benefit by bringing conservation-minded individuals into the area and raising public awareness about the value of the lake and watershed.

District support for conservation easements or other types of landowner agreements and contributions to conservation groups seeking to protect watershed lands should be governed by the following principles:

- Within the watershed, land closer to our intakes is a higher priority than similar land further away.

- Land with shoreline, either on Sebago Lake or on other lakes or rivers, is a higher priority than land with no frontage.

- Land that provides natural water treatment (forest/wetlands) is a higher priority than similar land that does not.

- Land that is underlain by significant sand and gravel aquifers is higher priority than similar land that is not.

- District support for properties that include agricultural easements will only be considered for the non-agricultural portions of the property.

- Land in the direct watershed of the lake is a higher priority than land in the indirect watershed.

- Land which is likely to be developed is a higher priority than land not likely to be developed.
• Land which is to be made accessible for lake friendly public access is a higher priority than similar land which is not to be made accessible.

• Support for the land preservation initiative by the municipality in which the land resides is an important consideration.

• Land which will be purchased for public education or naturalist purposes (nature trails, for example) is a higher priority than lands which will be simply preserved.

• Land with unique or rare natural features is a higher priority than more typical watershed land.

• Land which will be available for the District’s and other regional environmental education programs is a higher priority than land which will not be accessible for this purpose.

• Land purchases which are mostly financed by non-District resources are a higher priority than those mostly or entirely paid for by the District.

IV. POLICY STATEMENT
It is the policy of Portland Water District to support measures to conserve Sebago Lake watershed land in perpetuity and to provide open space for lake-friendly public access. The District acknowledges that it is neither feasible nor necessary to own all land in the watershed. Instead the District will cooperate and partner with organizations and individuals who seek to conserve and manage their watershed lands in a manner that protects water quality and therefore protects the health of drinking water consumers.

V. LAND CONSERVATION PROGRAM
Toward the goal of supporting Sebago Lake watershed landowners who seek to conserve their land in perpetuity, the District’s Board of Trustees will contribute between 0% and 25% of the conservation value of the transaction for qualifying projects.

Projects proposed by land trusts or individual property owners for consideration will be evaluated by staff for their water quality value using an approved evaluation methodology which is consistent with the land conservation principles outlined in Section III of this policy. Staff will assign a value and make a recommendation to the Board for financial support. A recommendation will be considered by the Board on a case-by-case basis. The Board reserves the right to choose not to support a project or support a project at a level different than that recommended by staff.
VI. WATER QUALITY-BASED CONTRIBUTIONS
The overarching goal of the District’s Land Conservation Program is to protect the water quality of Sebago Lake. This is best accomplished by conserving forested lands and associated wetlands within the watershed. Forests naturally treat runoff and are especially important when they are adjacent to development and other nearby land uses that could harm water quality.

The District calculates a contribution to a conservation project based on the water quality value of the protected parcel(s). Using a method which considers characteristics important to protecting water quality, District staff evaluates each project and provides a recommended funding level to the Board. The contribution is a percentage of the appraised value, the District’s calculated value, or the amount requested by the land trust, whichever is lowest. Higher percentages are recommended by staff for proposals with greater water quality protection value.

For projects that will conserve land using an easement that permits agricultural activity on a portion of the property, the District will use the same method of calculating its contribution, which considers characteristics important to water quality, but will consider contribution for the non-agricultural land to be conserved as part of the transaction. The easement must indicate that the non-agricultural land will be conserved in its existing state (not cleared for fields). Preference will further be given to easements which are limited to organic practices and/or non-livestock activities.

VII. ACQUISITION OF REAL INTEREST
The overarching purpose of this policy is to conserve watershed lands because forested land is a critical public health barrier. Actions taken under the policy will result in District investment in conserved properties that will be owned and managed by others who agree to conserve the forests on them in perpetuity. The possibility exists that at some future date one or more of the organizations entrusted with this responsibility could become insolvent, cease to exist and/or be unable to meet their stewardship obligations for other reasons. In order that the District’s investment in these properties is not lost, a condition of District contribution to a project is that the transaction shall result in the District acquiring some form of real estate interest in the conserved property. This could include but not be limited to a conservation easement or a third party right of enforcement of a conservation easement.
Agenda Item: 6F Order 19-010
Date of Meeting: February 25, 2019
Subject: Adoption of Policy 640 – Private Fire Protection
Presented By: Chris Crovo, Director of Asset Management and Planning
              Donna Katsiaficas, Corporate Counsel

**RECOMMENDATION**
The following proposed language is presented for Board of Trustee approval:

**ORDERED**, that Policy 640 Private Fire Protection, attached hereto and incorporated herein, is hereby adopted.

**BACKGROUND ANALYSIS**
During the process for obtaining exemptions from regulation from the PUC, the District represented that it would utilize Chapter 640 of the Rules of the Maine Public Utilities Commission as a foundation for its water operations. Staff represented to the Commission that the District would be making modifications at some point in the future to this chapter in order to accommodate its business needs. The PUC approved the District’s proposal with the stipulation that future modification of Chapter 640 be filed with the PUC within 30 days of adoption by the District. The filing is for informational purposes only.

The Board enacted a number of policies in November 2015, that went into effect on January 1, 2016, which were required as a result of the receipt of exemptions from regulation from the PUC. Chapter 640 was not one of those enacted at the time, and staff has continued to utilize the PUC regulation while the new policy was pending.

Chapter 640 rules were promulgated by the PUC for water utilities to generally define condition of service as it relates to Private Fire Protection services. Like many utilities, the District utilized its Terms and Conditions to further define these conditions. The majority of the changes noted in the proposed Policy 640 are a rewrite of Chapter 640 to reflect its ongoing practices. Some of these changes are as follows:

- Reference the section in the District’s Terms and Conditions as noted above
- Rename Service Drop to Utility owned service line and Customer owned service line
- Removed the general description of the PUC method to establish a private fire protection charge and inserted the District’s method (AWWA Manual 1)
- Appeals to the Board instead of to the Commission
- And removed generic language that does not apply to the District’s practices
FISCAL REVIEW / FUNDING
None

LEGAL REVIEW
Corporate Counsel has assisted in drafting the proposed Policy 640.

CONCLUSION(S)
Staff recommends adoption of Policy 640 as proposed. The Committee voted unanimously to forward to the full Board for their consideration.

ATTACHMENT(S)
Policy 640 Private Fire Protection
Chapter Policy 640: PRIVATE FIRE PROTECTION SERVICES

SUMMARY: This rule provides that water utilities, Portland Water District (PWD) shall establish accounting for those portions of water lines for private fire protection service which are located within highway limits, provides a methodology for determining the allocation of costs between public and private fire protection as recommended by the Private Fire Protection Task Force, and establishes general provisions for private fire protection service.

1. DEFINITIONS

A. Private fire protection – Water service to support the operation of a private fire protection system, including private hydrants, automatic sprinkler systems, standpipes, and other appurtenances installed by the customer to assist in extinguishing fires. Private fire protection includes all fire protection installations which are not provided by the utility PWD as part of its public fire protection services.

B. Back-up capacity or back-up facilities – The capacity and facilities (such as transmission and distribution mains, storage facilities, pumps, etc.) that must be present in order for the private fire protection system to perform as designed. This capacity and/or facilities may be provided by the utility PWD or by the customer.

C. Private fire service line – A water line installed at the customer's expense extending from a main to provide private fire protection to a single customer, a single multi-unit building or complex, or a single commercial or industrial development.

D. Service Drop Utility owned service line – That portion of a water service line that extends from the main to the edge of the utility PWD's easement or the public right-of-way.

E. Customer owned service line – That portion of a water service line that extends from the edge of the PWD's easement or public right-of-way to the premise on private property.

F. Direct Costs – Those costs that are directly associated with the provision of public fire protection or private fire protection. For example, service line costs, hydrant maintenance, cost of utility PWD participation in sprinkler
system tests. These costs should be assigned directly to public or private fire protection service.

**FG.** Indirect Costs – Those costs that are shared or joint costs of providing private and public fire protection service. These costs are allocated between public and private fire charges.

**G. Utility owned service line**

2. GENERAL PROVISIONS REGARDING PRIVATE FIRE PROTECTION SERVICES

A. The service drop customer Utility owned service line portion of the private fire service line shall be installed at the expense of the customer, but shall be owned, maintained, and replaced by the utility PWD at the utility PWD’s expense and shall extend from the main to the edge of the utility PWD’s easement or the public right-of-way. The balance customer owned portion of the private fire service line of the line shall be installed, owned, maintained, and replaced by the customer at the customer’s expense.

B. A utility PWD may institute service and maintenance policies, as contained in its filed Terms and Conditions of Service, which it determines to be in the best interest of its ratepayers or in the safe operation of the water utility PWD, regarding the provision of private fire protection service. A utility PWD may implement different policies for different types of private fire protection installations, such as private hydrants, sprinkler systems, or standpipes, where there is good cause to do so.

C. A utility PWD may require, as a term of service, a showing by the customer on a periodic basis that certain reasonable maintenance, testing, or inspection procedures have been conducted in order that the installation be consistent with the health or safety standards of the water utility PWD.

D. The utility PWD may refuse service to or disconnect a private fire protection installation from service if it does not comply with the utility PWD’s terms and conditions of service or in the reasonable opinion of the utility PWD management, subjects the water system to unnecessary potential risk or expense.

E. The customer shall keep the water utility PWD informed of the location of any private fire protection installation connected to the utility’s system and the operating status of each.

F. A water utility PWD shall not be required to upgrade its system in order to provide greater water pressure to support the installation of a private fire protection installation. The utility PWD may upgrade its system for this
purpose if it constitutes reasonable system development consistent with the factors contained in Chapter 65 section 2(G) of the Commission’s Rules Policy 650, or if the customer agrees to pay the costs of the upgrade.

G. Private fire protection service shall normally be provided on an unmetered basis. The utility PWD may, for good cause, require a particular service or a class of services to be metered. Said meters shall be installed at the expense of the customers taking service and shall be sized to accommodate the maximum flow rate identified for the private fire service. If a customer is to be billed for water used for an incidental service, such incidental service shall be billed based upon the meter size required for the actual water use rather than the actual meter size. The private fire service shall be billed based upon the demand of the sprinkler system.

H. A pipeline for separately metered domestic water service may be connected to a private fire service line outside the building in the public right of way provided that each system is provided with a separate shutoff in the public right of way which the utility may control. The utility PWD may require a separate service from its mains in order to maintain water quality or to ensure access to disconnect either service.

I. As a condition of service, the utility PWD shall require its private fire service customers to report reasonable estimates of the volumes of water used annually for flushing and testing the private fire service and the amount of water used in the event of a fire.

J. Private Fire protection shall conform with the PWD Cross Connection Control Program.

3. RATE COMPONENTS

A. A water utility PWD’s private fire protection charge shall include reasonable amounts to cover the cost of:

1. Depreciation and debt service or return on utility investment in the service drop utility owned service line -portion of the private fire service lines;

2. Normalized cost for the maintenance and repair of the service drop utility owned service line -portion of private fire service lines;

3. Any maintenance, repair, inspection, or testing services performed routinely by the utility for all private fire protection service customers; and
4. A reasonable allowance for the cost of water used for flushing and testing the private fire service lines and for fire fighting.

5. A reasonable allowance for the costs of back-up facilities necessary to provide private fire protection service.

B. A water utility’s private fire protection charge shall not include any maintenance, repair, inspection, or testing services performed for private fire service customers on demand, i.e. any services beyond those included in the private fire protection charge. These additional services shall be treated as jobbing and shall be billed directly to the customer requesting the service.

C. The utility shall establish and maintain the sub-accounts necessary to account for all private fire service capital, maintenance, operating and jobbing expenditures/expenses/revenues. These sub-accounts shall be used to determine the proper level of service charges allowed under section 3(A).

4. METHODOLOGIES

A. A water utility’s private fire protection charge may be billed on the basis of the design flow demand required by the customer’s private fire protection system or the maximum available flow measured at the customer’s end of the customer owned service drop line, whichever is less.

Fire protection service rates will be established as part of the establishment of water rates, and subject to a public hearing before the Board of Trustees pursuant to the District’s Procedure to Enact Water Rate Change. The rate shall be calculated using Manual 1 of America Water Works Association (AWWA).

1. A water utility using a full allocation study to determine total fire service charges shall apportion such charges between public and private fire services based upon the relative flow demand required by each segment as set forth by the following formula (See Section 4(A)(4) for definition of Terms):

\[ A = \frac{B}{(C+D)} \]
\[ P = (AxD) + E \]
\[ T = (CxA) + M \]
2. A water utility using PUC Chapter 690 to determine total public fire protection charges shall use the following formula for determining the revenues required for private fire protection services (See Section (A)(4) for definition of Terms):

\[ P = \frac{T}{C} \times D \]

3. Regardless of whether a water utility determines private fire protection charges by Subsection A(1) or A(2) above, for cost allocation purposes, public hydrants shall be assumed to have flow rates of 500 GPM in residential areas and 1000 GPM in all other areas. All private hydrants, except the first hydrant with each sprinkler system, shall be assumed to have flow rates of 500 GPM. The first hydrant connected to a sprinkler system is excluded from the calculation and there is no additional charge for that hydrant. In the absence of more specific information, flow rates for sprinkler systems may be determined using the National Fire Protection Association (NFPA) Table 13 provided in Appendix B. Utilities may use different flow rates if they can be justified and supported by adequate documentation.

4. TERMS

The terms contained in Sections 4(A)1 and 2 are defined as follows:

- \( A \) = Indirect gallon per minute cost
- \( B \) = Total indirect fire protection costs
- \( P \) = Revenue requirement for private fire protection
- \( T \) = Revenue requirement for municipal fire protection
- \( C \) = Total flow demand required for municipal fire protection
- \( D \) = Total flow demand required for private fire protection
- \( E \) = Private fire protection direct costs
- \( M \) = Municipal fire protection direct costs

5. This method of determining private fire protection charges may be implemented at the discretion of the water utility, or a water utility may be ordered to do so by the Commission after a finding of good

\[1\text{See Appendix A for an example of this method, including allocation of revenues.}\]
cause. In either case, reallocation of charges, if excessive, may be phased-in on a case-by-case basis.


EFFECTIVE DATE: June 21, 1979 March 1, 2019

AMENDED: May 1, 1995

EFFECTIVE DATE (ELECTRONIC CONVERSION): May 4, 1996

AMENDED: This rule was approved as to form and legality by the Attorney General on June 4, 1998. It was filed with the Secretary of State on June 4, 1998 and will be effective on June 9, 1998.

NON-SUBSTANTIVE CORRECTIONS: July 6, 1998 - error in addition in Appendix A Step 3; NFPA 13 reference in Appendix B.
The annual review of the General Manager’s performance has been completed. Based upon this review, the following Order is proposed:

ORDERED, that the General Manager’s annual compensation shall increase 4% effective January 1, 2019 and,

BE IT FURTHER ORDERED, that the General Manager shall receive a one-time addition of 40 hours to her vacation bank effective on the date of approval.