

As voted by the Board of Trustees and in accordance with the notice of the meeting, the monthly Workshop Meeting of the Board of Trustees of the Portland Water District was held remotely on Monday, May 11, 2020. In attendance from staff were Messrs. Crovo, Kane, Firmin, Wallace, and Mses. Lewis, Katsiaticas and Demers. President Cote convened the Workshop at 6:40 p.m.

The roll was taken by the Clerk and all Trustees were present.

1. **2019 Audit Report.** Representatives from Wipfli LLP, the District's auditor, presented the 2019 audit report.

Christian Smith from Wipfli addressed the board. Audit results were presented to the Finance Committee. The audit was successful, even with working remotely. A clean opinion has been issued by the firm of PWD for the 2019 annual audit. All federal grant money was handled by PWD appropriately. There were no audit adjustments necessary. No recommendations had to be made for internal controls. The Finance Dept. prepares the financial statements. It speaks highly of the District that the department can produce the statements with no changes required by the auditors.

The auditors were thanked for doing good work remotely. Tom Quirk and his team were also thanked for doing a good job.

2. **District's Finances.** David Kane, Director of Administration, presented a preliminary, high-level update on the impact of COVID-19 on the District's finances.

Mr. Kane noted that the rate increase that had been proposed for action in March will come back to the Board at the end of the month. The 2021 budget process is beginning. A budget deficit is predicted in 2020.

PWD began the year with a balanced budget. If the rate adjustment is completely cancelled for the year, revenue will be decreased by \$700,000. Lower consumption due to the shut downs across the territory mean reduced revenue. Expenses have increased by possibly up to \$100,000 directly attributable to covid-19. A net loss of \$800,000 - \$1.8 Million dollars is projected for the year.

PWD has \$8.1 Million Dollars in reserve that can be accessed to cover this loss. The Board has a policy of keeping 25% of expenses in reserve, which would be \$6.6 Million. A good portion of PWD revenue is fixed - fire protection revenue makes up a good portion of this component.

The residential customer consumption is actually going up. Other customer classes are experiencing a decline in consumption. Mr. Kane presented a projection on the impact of consumption changes for May to December of 2020. There are significant unknowns in making projections, including how quickly the economy will be opening up. The range of the impact may be anywhere from a decrease of \$320,000 to a \$1 Million Dollar deficit between May and December. Summer weather may also be a variable affecting revenue.

To address the revenue shortfall, PWD must increase revenue, decrease expenses or raise rates- either all or a combination of these should be considered. It might take more than 2 years to get back to break even. Mr. Kane asked what the range of acceptability for rate adjustments might be - below 10% was recommended.

It would be possible to adjust the rates January 1; with a second increase May 1 of 2021 in trying to mitigate the effects of the deficit for 2020.

Mr. Kane reminded the Board that there is a go live date in October for a new billing system.

PWD can make moves to decrease expenses. Only essential hiring is currently taking place. Pension funding and health insurance renewal will lead to a 1% rate increase as currently projected. Projects are being reviewed to prioritize projects; bonds could be stretched to 30 years; PWD could consider less paygo money and bond more. Discretionary spending is being reduced. It would also be possible to draw down on reserves, to a target balance of \$6.6 Million Dollars.

It is likely that a combination of rate increase, expense reduction and reserve draw down will be needed to address the decreased revenues. Discussions will need to occur over the next several months, as it becomes more clear what the true financial impact of the economic shut down and restart will be.

Wastewater assessments will also be affected, and the effect on each municipality will depend on the customer class mix in each community.

Trustees Garrison and Willey asked about deferment of capital projects. Ms. Lewis said the list of projects and a review is occurring - something will be available for the next workshop. Mr. Crovo also responded, indicating that many water projects cannot be deferred as we are partnering with other entities like MDOT and municipalities. On the wastewater side - design is continuing in hopes of if stimulus funds become available, projects will be ready to go.

A discussion then ensued with the Board. There was a general consensus that the Board should not move forward with a rate increase in 2020, although President Cote noted the municipalities will be raising taxes later this year, and he would not be opposed to a small rate increase. Trustee Willey was for delay until 2021. Ms. Lewis said the Board can regroup on this issue in a few months once the revenue picture is clearer. Trustee Lunt voiced support for no rate adjustment until the billing system was up and running. Trustee Beck concurred with no rate adjustment in 2020.

Multi-years to get back to break even - the recommendation was 2 years. Trustees asked why not 3 years to get back to break even. The disadvantage to a 3 year approach is that more of the surplus balance would be utilized.

Ms. Lewis recommended essential hiring only, and noted that she is trying to maintain PWD's present staffing levels.

Trustee Willey and President Cote asked for additional information. One question was what would happen if the 1 Million Dollars extra in water main work that has been added every year would be eliminated. Mr. Kane asked for feedback from Trustees on what an acceptable range of water rate adjustments might be, especially the upper range of the rate increase. Several Trustees said it depends on the amount of the revenue decreases PWD is experiencing.

Trustee Garrison asked for a toggling sensitivity model to assist in planning.

The General Manager said we will discuss this again when we have more info.

- 3. Seasonal Water Services.** Carrie Lewis, General Manager and Jim Wallace, Director of Water Services provided an update to the Board.

The General Manager gave an update on seasonals. She told the Board that the PUC approved a partial waiver of the 1 day connection requirement on the islands. PWD will meet PUC requirements.

- 4. North Windham Decentralized Wastewater Project.** Chris Crovo, Director of Asset Management and Planning and Scott Firmin, Director of Wastewater Services, provided an update on this project.

Mr. Crovo led the presentation by explaining to the Board the background for the proposed North Windham wastewater treatment system. The North Windham area has had nitrate issues in the area. The Town has been working on the project for some time. They are working with Wright Pierce to come up with a decentralized system, which is a high end membrane bioreactor wastewater treatment system. DEP is reviewing it as well. The Town is anxious to develop the system. They believe stimulus funds may be available to assist them develop it.

Ms. Katsiaficas explained the purposes of the MOU to the Board and explained the various responsibilities of each party under the agreement.

The goal is to have an MOU for approval by the Board on May 26. Mr. Crovo noted that this is probably a 5 year project.

Trustee Lunt asked that the Town Council of Windham vote on the agreement first to show the commitment. He does not want to approve it before Windham Town Council does.

Trustees asked questions about the wastewater treatment system and how it operates. Mr. Crovo explained the system the Town is developing - a wick system.

- 5. Other Business.**

The General Manager asked the Board to think about how they wanted to conduct the June meetings because up to 50 people will be allowed to gather.

President Cote reminded the Board that the annual meeting of the Board will occur on May 26.

- 6. Adjournment.**

The meeting adjourned at 8:00 pm

Submitted by,

Donna M. Katsiaficas
Clerk