

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 in the Nixon Training Center at the general offices of the District, 225 Douglass Street, Portland, Maine on May 14, 2018. In attendance from staff were Messrs. Crovo, Kane, Firmin, Quirk, Wallace, Johnson and Ms. Lewis, Katsiaticas, and Demers. Representatives from MacPage were also in attendance. President Lunt convened the Workshop at 6:45 p.m.

All Trustees were present with the exception of Trustee Grant.

**1. 2017 Audit Report.**

Representatives from MacPage LLC, the District's auditor, presented the 2017 audit report.

Chad Dudley from MacPage addressed the Board. MacPage audited the financial statements for 2017. They issued a "clean opinion" on the financial statements. Mr. Dudley explained the audit process to the Board. He noted there were no material weaknesses or deficiencies to report. Small items were discussed with the staff and Finance Committee for changes to be made.

He explained the various debt coverage ratios to the Board. PWD's finances are in good condition.

He thanked Tom Quirk and David Kane for their assistance in having everything well prepared for the conduct of the audit.

**2. Cybersecurity Protection Measures.**

Chad Davis, Information Services Manager, provided an update on cybersecurity measures being implemented by the District. This agenda item was held in executive session.

Trustee Siviski made a motion, seconded by Trustee Garrison, to go into executive session pursuant to 1 M.R.S. §402 (3)(L) so Mr. Davis could provide his update to the Board. The vote was unanimous. Executive session began at 6:55 p.m.

Trustee Willey made a motion, seconded by Trustee Libby to come out of executive session. The vote was unanimous. The Board came out of executive session at 7:15 p.m.

**3. Water Main Renewal Update.**

Christopher Crovo, Director of Asset Management and Planning, provided an update on the status of the 2018 water main renewal projects.

Mr. Crovo explained the Gorham project only had one bidder. MDOT has now cancelled the project. The Town is upset that the project has been cancelled; the town voters authorized \$600,000 for the project. PWD may do a portion of the project in 2019 – 2000 feet of it may be done.

A City of Portland project – a smaller project --was bid and received 8 bids. That project will be done.

Middle Road pipe will be slip lined and a portion re-laid.

A Westbrook project will be completed.

These projects are within the budget and no further Board action is needed.

#### **4. Review and Discussion of Board Budget Guidelines.**

David Kane, Director of Administration, presented an overview of board-directed budget guidelines and how O&M and capital expenditures impact water rates.

General Manager Lewis explained why the Board was being requested to review the budget guidelines. She explained that PWD is facing a huge amount of work at the moment, which includes the ABC project and a substantial amount of main work.

Mr. Kane began his presentation by explaining the consumer price indexes used by PWD. For pension adjustments, PWD uses Urban Wage earners and Clerical Workers index. For the Biosolids contract, the Northeast Area Consumer Price index for all Urban Consumers is used. For the budget guidelines, PWD uses a blend of 3 indexes; these include the Municipal Cost index, the Construction Cost index, and the Consumer Price index. Mr. Kane provided a chart projecting the 2019 expense budget guideline using a historical approach. Using this approach, a 5.4% budget increase could be anticipated. 4.4% could be attributed to operating budget, 7.2% to the capital budget.

Mr. Kane explained the expense guideline goal vs. the forecast for 2019. Several variables will affect the increase. These variables include union negotiations, pension contributions, timing of capital projects and health insurance increases. The 2019-updated forecast is that the increase will be 4.5%.

The Municipal Wastewater Assessment expectations were then discussed. PWD's budget will be close to meeting the municipalities' expectations.

The updated forecast for 2019 shows PWD will need an additional 25 million dollars. This would mean a 5.5% increase in rates for residential customers.

Trustee Siviski asked if the budget increase is targeted at 4.5%, then why are the proposed rate increases more than that? Mr. Kane explained that the effective date of the rate adjustment is May 1<sup>st</sup> so to generate the needed revenue over the final seven months of the year, the rate adjustment needs to be higher than the 4.5%.

A multi-year forecast for water and wastewater budgets was then provided through 2024.

Trustee Libby asked what the affordability rate was for residential customers. Mr. Kane said 2%. Trustee Libby asked if PWD's projections were within the affordability rate. Mr. Kane said

PWD is at the affordability rate now. For the low-income households in Portland, PWD's rates are above the affordability rate – which is 4% for water and sewer combined. An analysis is done for each community.

Trustee Garrison wants to see the impact of rates on the various classes of income. This will be discussed in June.

A 1% increase in rates allows for doing 2 miles of water main work.

PWD has been doing small water rate increases every year since 2007. Customers so far have been tolerating the increases.

Mr. Kane noted that July-September, staff will be putting budgets together. He explained the timeline for the budget process, and asked the Board for input on the guidelines within the next month to allow the budget process to proceed. The budget process for 2019 has not started yet. The operating budget target is an increase of 4.5%.

Trustee Libby asked how much of a reduction PWD has seen in usage of residential and commercial customers. He has been supportive in the past of equalizing rates to reflect the cost of service. He noted that Portland has a lot of food service business, and if rates are equalized, he questioned whether PWD will experience a decline the revenue.

Mr. Kane noted that the average customer since 2000 has experienced a decline of 15% in water usage. This has been offset somewhat by PWD increasing the number of customers it serves.

Trustee Garrison said he recalled commercial/industrial usage had declined by 40%.

Trustee Libby asked about the head count, which is now 182. He asked if additional employees are needed to keep up with the amount of work PWD is doing, noting he would support an increase in the number of employees. He does not want to see the people who work for PWD burn out. He would like justification for increasing the work force. He is not committed to keeping the work force at 182.

President Lunt stated when he first joined the Board, but after the construction crew was gone, PWD had more employees. He asked how many employees PWD had then; Mr. Crovo said 194. President Lunt stated he understood that the increasing work may need additional employees and he wants justification for it. He does understand more people may be needed.

Trustee Willey noted that in the past he was concerned about the rate increase projections. He appreciates the information and detail he has been given explaining the rate increases. He believes PWD's goals should be to be efficient and not to have slack at the top. He believes the 4.5% budget increase is acceptable; he is comfortable with that increase. Trustee Willey noted that he is focused on the water rates, as wastewater rates are set by the municipalities. With respect to employee head count, he said it is expected that the systems PWD purchases should lead to efficiencies. He recognized that the staff needs to be able to accomplish its projects in a timely fashion. He would like to see the head count stay the same, but would review requests for an increase in the number of employees.

Trustee Garrison suggested looking at efficiencies, like improving PWD's bond rating, which could save PWD money; this might require looking outside the box to get those savings.

Trustee Siviski asked if capital construction projects are driving increases, why PWD is spending what it is on capital projects now – was it better interest rates? Mr. Kane said in 2010, the Board wanted to increase the amount of main renewal work to replace 1% of main per year. PWD worked getting legislation which allowed for 1% of rate increases to be put into a capital fund for main renewals. Ms. Lewis also stated that CSO work being done by the Cities is also driving our projects; PWD is doing projects that are larger, more complex and therefore more expensive.

Trustee Libby also responded that if PWD didn't increase what it was spending now, it would be worse later. Mr. Crovo explained that about 30-40 miles of pipe would come up for replacement all at once. As a result, PWD increased the amount it was spending yearly on main renewals. The most difficult projects are being done now, at greater expense. He detailed various projects that will be done in the next year.

Mr. Kane said PWD will use wastewater SRF funds to fund some water main work that is being done because of CSO projects.

Trustee Garrison asked if PWD is moving to design build or CM at risk for projects in order to cut costs. Mr. Crovo said yes.

## **5. Other Business**

Ms. Lewis reminded the Board to notify Chris Crovo if they wish to attend the SMRWC annual meeting. Chris will have a van and take Trustees to the meeting.

The Trustees provided feedback on the use of monitors for the meeting.

## **6. Adjourn.**

The meeting adjourned at 8:15 p.m.

Submitted by,

Donna M. Katsiaficas,  
Clerk