

Minutes of the Board of Water/Sewer Commission
Wednesday, June 15, 2022 - 4:00 pm
16C Perry Way, Newburyport, MA 01950

Present Commissioners: Roger Jones, Owen Smith, William Creelman, Sandy Friede

Staff:

Deputy Director, Jamie Tuccolo
Business Manager, Julie Spurr Knight
Assistant Chief Operator, James Moore
Water Superintendent, Thomas Cusick
Assistant Water Superintendent, Chris Hood
Water Distribution Superintendent, Jonathan Carey
Collection Systems Superintendent, David Shaw

1. Mayor Reardon

Not in attendance

2. Appointments/Customer Inquires

None

3. Approval of Minutes

Commissioner Smith had a question about posting the minutes on the website. Ms. Knight said the website gets updated every 90 days.

Commissioner Creelman made a motion to approve the minutes of May 18, 2022 and May 31, 2022.

Commissioner Friede seconded. All those in favor.

Vote: Smith yes, Creelman yes, Jones yes, Friede yes

Commissioner Jones reported that there is a new member of the Commission, Dan Simon who was approved by City Council Monday night.

4. Business Managers Report

Ms. Knight reported we are at year end. Water is 87% expended, revenue is at 93.5% collected and my projection was to be at 98% collected. Sewer is almost 100% collected. There are more water accounts than sewer. Currently we have a total revenue of \$4.3 million in water and a surplus of \$259,000 and we still have an available budget of \$562,000. I added revenue targets. I don't generate those targets. The Finance Director does. We hit most of them. I will look into why we are at 68% expended on the revenue Plum Island line. I believe the target just needs to be adjusted.

Sewer total revenue is at \$7.5 million with a surplus of \$284,000. There is \$556,000 left in the budget with 91% expended. It says 95% collected but I just ran the numbers and its now at 99.2%. It's almost at 100% so I'm right on my revenue targets.

Commissioner Smith had a question on water capital outlay. Ms. Knight said capital outlay has \$176,000 left in it. We have encumbered in that amount about \$80,000 out of that \$315,000. We don't spend that every year but we do encumber it because we are in the middle of construction season and it gets extended into the fall so you will see a lot of that spent in the fall. We are in the middle of the valve turning project and we've got some initial invoices. We just got a change order in the amount of \$19,000 so that project is now in the upwards of \$59,000 for the professional services and then Wachs so it's about \$150,000 for the whole project. Mr. Carey reported there were a bunch of valves that were not initially brought into the GIS that were located. Commissioner Friede asked did we only use 20% of capital outlay. Ms. Knight responded we are in construction season. We carry over from the year. Once the year ends we PYC (prior year carryover). We are allowed to spend those funds when we have a contractual agreement until June 30th of the following year. Commissioner Friede said so that would be under encumbered, correct, \$75,000. Ms. Knight said no that encumbered amount is what I have encumbered in the budget right now for purchase orders that I have out. We are going over those right now line by line. Most of the capital now will be a prior year carryover. We went out to bid for valve turning and we have inspectional services and an agreement that has been executed with them and those funds will be encumbered for next year. The Department of Revenue requires that carryover money be spent by September 30th unless we have an executed agreement that was executed in the prior fiscal year which we do have with the valve turning project. Commissioner Jones stated so the valve turning project won't be completed by September 30th. Mr. Carey said the turning program will be complete but the repair will not. That will probably end up being another bid. Commissioner Smith said the repairs will have to be budgeted for and requested as another project for next fiscal year. Mr. Carey confirmed. Commissioner Smith said similarly in sewer we are looking at 51% used. Is there a plan for all of that to get expended? Ms. Knight said she would have to get with Chris Pratt on that. I'm still looking at the prior year carryovers which are due until July. Mr. Tuccolo reported that he was down at the plant and saw Chris Pratt and Jimmy (Moore) and they were working on all the PYCs and will get them to you. Commissioner Friede said you don't want someone to say you aren't spending what has been allocated. Ms. Knight said with that capital outlay line, where construction season falls, as long as we have those agreements in place we can hold those funds open until the following year. Commissioner Smith asked with the contractors being overbooked and lacking material and employees is there a burn rate on this money because the contractors aren't meeting spending goals. Mr. Tuccolo responded that you can put an extension on their contract due to lack of material.

Consumption: As you can see consumption has returned to pre-pandemic levels. FY 2021 was an outlier due to everyone staying at home. In the rates I reduced the consumption to reflect that. Commissioner Smith asked if 2022 was to date. Ms. Knight said as of today what we have billed. Commissioner Smith asked if FY 2021 was for the whole fiscal year. Ms. Knight said she could run a consumption report on each year with the starting date and the end date.

Ms. Knight said she has a Privilege Fee Notice for 192 Low Street. They haven't paid their privilege fee so the Assessor is working on liening that property so we need your signatures. Commissioner Friede wanted to know how much it was for and Ms. Knight said she does not know; the Assessor generates the document. Commissioner Smith asked if Ms. Knight could briefly explain what the privilege fee is for. Mr. Tuccolo said in 2004 it was erected on Low Street. They put in a replacement sewer line from the Route 1 area that goes down to Graff Road and all the way up to Woodman Way. At the time you had to pay because you were bettering your home. They did a 50% cost of betterment and a 50% future cost of privilege fee. At the time of 2004 any future bedroom or any expansion of home or business or any livable space fell into that category of a privilege fee. Since that time everybody that put an addition on their home had been charged a specific fee to pay down the debt. Commissioner Smith asked about Colby Lane. Mr. Tuccolo said there was an agreement between the former Mayor and the builder and they paid something. Mr. Shaw said they did upgrades. They did a new water

line and sewer line. It was a squash. Almost like Russell Terrace. They gave us a \$500,000 lift station. There were no monies exchanged. It was an in-kind. Mr. Tuccolo said everyone since I've been here in 2008 has been assessed. Commissioner Smith asked why it can't be billed on the water/sewer bill rather than through the assessors. Mr. Tuccolo said it was voted on by City Council to give people two options—pay cash or give them the chance to pay over a 20-year period on their taxes. This privilege fee has an expiration date of 2024. Each privilege fee is different and it doesn't have to mirror the previous one. Mr. Tuccolo said he believes it can't be put on the water/sewer bill because there is a 4% yearly carryover fee.

Commissioner Jones requested approval of Business Manager's Report. Commissioner Smith moved. Commissioner Friede seconded. Those approved.

Vote: Smith yes, Creelman yes, Jones yes, Friede yes

5. DPS Operations Report

Deputy Director Tuccolo addressed the Board. The operations report is really irrelevant in this particular situation because it is operations. So, the only thing that is relevant here other than the need to bond for any kind of money is Julie and me. Everyone here works hard, they do their job and report to their superiors but to have them keep putting it on a report, bringing to you here and taking up probably three-fourths of the meeting on an operation report when half of the stuff is irrelevant to what you guys are for. Your role is policy and procedures and finance. Everything that Julie just said is 100% you. Commissioner Jones said he likes reading the report to keep abreast. Commissioner Smith said they always like reading it but if I have a question I can reach out directly the person. He said he thinks the Board does have some oversight duty to make sure you are doing your job. Mr. Tuccolo said no let's not get confused. You have zero operational input. I'm going to keep it that way. You have to do with finance and policy and procedures. Mr. Tuccolo went on to say you can request any personnel to come to a specific meeting if you have specific questions. You can pre-ask the question, they can come to the meeting and you can ask them at the meeting. Commissioner Friede said these reports should be helping us spot trends. How are you going to deal with making sure that we are aware? I think some of that is around water quality. Mr. Tuccolo said that is what he leaves up to the respective people that are in charge of their departments. If they feel something is coming down the horizon they can write it down and send it Julie and it will be in your packet. Commissioner Friede said she wants to make sure they aren't losing the communication of trends. She doesn't care about the format but we are studying trends and understanding. Commissioner Smith said we need an awareness of some value being received from the fund expended. If we are approving warrants we need to some knowledge that what we are approving, the work was actually done. This is an aid in that to see what is going on. Mr. Tuccolo said with all due respect without him telling you how do you know it got done if he's just writing it down? Ms. Knight said Jamie and Tony make sure that work gets done. Mr. Tuccolo said prior to all of us between 2000-2008 Brendan O'Reagan did not want staff at the meetings. All he talked about was numbers. When the transition happened between Brendan and Anthony he wanted his group here to show the transition team and that stuck. So, we've been in the same situation for the past 13 years. I've always said in the meetings even back then our hours are 7-3 but we don't have a 7-3 job. We're working all the time. The last thing I am trying to do is add more work to people. Julie's information needs to be in your packet and talked about at every single meeting. The only thing that doesn't need to be in there is literally the word operations. If you have a question that has to do with water or sewer by all means ask it. A lot of the stuff on the report is redundant. If you want to know if the money that is being expended is working it is because you can flush and drink the water. If you couldn't do that then you would know that we aren't doing our job. Commissioner Jones said the one question people ask is do we have enough water. Mr. Tuccolo asked Tom if that pumping report is easy to do. He replied yes. He said he tries to put things in his report that deal with policy. If you have any questions you can always ask. Mr. Tuccolo said if you have questions after reading the

report you can always reach out to him directly by email or request that he is at the next meeting. Commissioner Friede said she thinks that is a great idea. I think with the engineering and the project stuff we are going to need to know. Mr. Tuccolo assured the Board that he and Julie would always be at the meetings. If there is something at a specific meeting that I cannot answer at the meeting I guarantee you will have an email at your desk the very next day. Ms. Knight said in the warrant schedules that we send you see all the invoices and that work is completed. The larger projects with the certified payments, those are signed off by the architects and a host of people. Mr. Tuccolo said all of you have at your fingertips Julie and me at all times. Commissioner Friede said she would expect to see percent complete/percent paid on the larger scale projects. Ms. Knight said she can show the backup of those bigger projects. Commissioner Smith questioned bills from Amazon and was told by Ms. Knight that we have an organization structure and a corporate account for Amazon. He questioned Home Depot and Mr. Tuccolo said we have a capital account and every individual purchase by the certain account has a purchase order attached to back it up. Commissioner Smith said he never asked about the Home Depot stuff. I assume they are for professional use. Mr. Knight reiterated again every charge you see has a purchase order.

Commissioner Smith said one thing he thinks would be in the Board's purview to discuss is funding additional positions to aid with some of the project management stuff. I see a void in the organization. Someone to take the strategic plan that would be something we would aid in. A strategic plan in where we are today and where we need to be in 20 years. Mr. Tuccolo was asking if he was referring to staffing. Commissioner Smith said staffing would have to be a part of that but a strategic plan meaning the infrastructure as it is today and where it's going to be 20 years from now. What projects we need to see get done. What our plan is for allowing that to happen and what we would need in staffing to support that. Mr. Tuccolo asked Commissioner Smith if he was referring to staffing or consulting type things? Commissioner Smith confirmed. He said what he sees an absence in is somebody that can help with AECOM in getting the design through, coordinating with other municipalities, and actually crafting and supervising the progress we make towards that. Operations is you're fighting fires every day. You are pumping water, you're testing, fixing water main breaks. Mr. Tuccolo said that is something over the next year between Julie, the Commission and myself we can discuss further as a winter project. Right now, everybody is extremely busy because we are in construction season, year-end, everyone has a lot on their plate with the tourist season too. Commissioner Smith said we need some input because we argue about having free cash available for emergencies. Mr. Tuccolo said you guys are here for the financial end of it. Regarding chemicals the department heads don't get those numbers until January. Once they get them they will relay them to Julie, she will put it on the report and if you want further detail, you request they come to the meeting. Every budget season, expect to see the staff at the meetings. That will not change because all of their input is what you are looking at with the budget. It is a DPS team effort. In April and May when Julie needs backup they will all be here. That will always happen but the monthly day to day operational side will not.

Commissioner Smith said he feels it would be advisable since we have a new member coming on board and he and Bill are new he would like to propose to engage Peter Durning if it is in his area of expertise which he believes it is to understand what our roles and responsibilities and our authority is. I would highly propose that it be only the Commissioners. Mr. Tuccolo said because of how it is funded he is not sure if Julie needs to sit in on it. Commissioner Smith said at least one person to take minutes. He further said he looked at the open meeting law and in Massachusetts it is not clear that receiving advice from counsel would be exempt from open meeting, we could have it in executive session. We are supposed to be trained on open meeting laws every year. Ms. Knight said we use KP Law for all of that. Commissioner Smith said the scope would be to go through some of the open meeting laws. I read through the packet. I don't think we are being negligent but it would be good to receive some training on it. Second would be roles and responsibilities and where our authority extends. I've done some research on the session law that created us and how that differs significantly from the model water sewer law that we have on the books. I see the Mayor, the city council, us, the utility sub-committee and how we work

together. Commissioner Friede stated that we should start talking with each other because of the frustration with the capital plan. I see you guys telling us what it is, then negotiating with the Mayor, negotiating with the utility committee. Ms. Knight said there is no negotiating behind your back. I made a recommendation on the rate. The reason why I recommended that rate is because we have many unknowns. We don't know what Indian Hill is going to cost, we don't know what the plant is going to cost, we don't know what the meter project is going to cost and that is just my recommendation. So, there was no negotiating. I presented your rates and I presented mine. Commissioner Friede said that is not what I said. What I said is that my belief is, much like what Owen is saying, we need some legal advice. What I am saying we need some process work so that we have a smoother capital planning process and a smoother budget process. When I'm watching these processes take place, I get frustrated because it is not what I consider a smooth process and that somehow or another we as a group, both the Commission and the Department we need to speak in one voice. I know you're not negotiating. You are in a terrible situation, a matrix organization and that's the worse situation to be in and that's what you are in. There are some processes that we can do to make sure we as a team aren't getting aggravated. Until we fix those things we are going to keep being aggravated. Mr. Tuccolo said until some person tells the Commission what your actual role is, what your authority is, right now the authority lies somewhere else.

Commissioner Smith thought it would be good to have the meeting with just the 4 or 5 of them with the attorney as soon as possible. Commissioner Friede stated she wants to figure out how to work with the Mayor and the Utility Commission effectively. Commissioner Smith said the Commission should reach out to KP Law and learn from them and someone from the Board should speak with the attorney assigned so we can give them an idea of what we want to talk about. Ms. Knight said she would put him in touch with Mark Reich and give you his e-mail. My only concern is if you do it before July 1 I would need to know the cost of it because all our budgets are getting low. Commissioner Friede said we need to start with a conversation then come up with a scope of work for him. Commissioner Jones said we only have two weeks left. He didn't see it happening in this budget. Commissioner Friede said that Commissioner Smith sent her enough documentation that she can draft a statement of work for the attorney and will circulate it to the Board in July.

Mr. Carey said for the Commission to keep in the back of their minds the additional fee schedule that was brought up before. That second Boston Way building is going on line and they will be tying in at that same rate so we still aren't capitalizing on that money. We have another big project across from Boston Way on the horizon. Commissioner Friede asked Ms. Knight to have those rates be on next month's agenda because she thinks the Commission can do that quick before the third building starts even if its just to say anything of any size will be evaluated separately.

6. Old/New Business

- Commissioner Friede said we were told we were going to review and be part of the RFP and the selection for the first phase of the engineering for the Indian Hill pipeline and then we received an email saying management has decided. Mr. Tuccolo said it should have never come to you in the first place. He didn't know it went to you for a vote and it really should not have and that's why I intervened. Ms. Knight stated that the department has a procurement process in place. Mr. Tuccolo said the Board will be signing anything that has to do with funding but choosing of the company is not your role.
- Mr. Cusick asked to revisit the West Newbury request with a follow-up letter. They want something in writing saying there is a commitment. Commissioner Jones said to rework the letter. They are moving their request to spring of next year. He stated he has no problem with it as long as we don't have an event some time through the summer that fouls it up. Commissioner Smith said historically we are in a good position after spring. We

were concerned with early fall because of a potential drought in the summer. Commissioner Jones said this might be a good time to look at the IMA.

7. Warrant and Contract Signing

Commissioner Smith made a motion to approve and sign the warrant, Commissioner Friede seconded.

Vote: Smith yes, Creelman yes, Jones yes, Friede yes

Commissioner Friede made a motion to sign the Privilege Notice, Commissioner Jones seconded.

Vote: Smith yes, Creelman yes, Jones yes, Friede yes

8. Next Meeting

- August 24, 2022 and 4:00 pm

Before the meeting was adjourned Commissioner Smith said his issue is when we deliberated we originally had \$200,000 retained earnings subsidized sewer, \$100,000 retained earnings subsidized water. We discussed all the reasons why water shouldn't be subsidized this year and that is in the minutes. What we voted on basically had \$300,000 to subsidize the rates. The thing the Mayor submitted is \$400,000, \$300,000 sewer \$100,000 water. Commissioner Jones said what bothered him was the service fees did not change. Ms. Knight said the Mayor went with her recommendation. She put the Commission's recommendation in the memo. She said the miscommunication here is that I am not willing to put my name on your recommendation. In my financial opinion we don't have the cost of Indian Hill, the cost of the meter project and we don't have the cost of what the plant will be. It is premature to put this increase in place when we don't have those costs. Commissioner Fried said she didn't understand that when we left the meeting. We thought we had all come to an agreement as a group and that to me is a process issue that we need to figure out. Mr. Tuccolo said Julie openly said in that meeting that she did not agree with what the Commission was proposing and that is her right. She is the Business Manager. He went on to say that the 13 years he did it we used retained earnings every single year to keep that rate down. That's the way it happened. That's the way it's going to happen. Ms. Knight said once we figure out the cost of these projects we're going to have to go up. The increase in the customer service charges is premature because we're talking about a possible meter charge on people's bills. Commissioner Jones asked Ms. Knight if she would recommend a fee change and she said not at this time. Commissioner Smith said we have a lot of unknowns for these project costs. We also have a lot of unknowns for inflationary costs. Why would we give away \$100,000 that we have to subsidize the rates instead of keeping it in the bank in case we have an overage. I would support expending that retained earnings that we carried over to prevent us from having to do a mid-year rate increase. Ms. Knight said she hears what he is saying but my rebuttal to that is we are looking at 9, 10, 11 percent increases for the next three or four years. Without all these unknown costs why are we putting the beginning number at a very high rate? I know one or two percent doesn't look like a lot but once you are into those double digits and no quantifiable data. Commissioner Smith said the past is the past and moving forward the only thing we can do is build the rate foundation up to what it should have been today. Commissioner Jones said his logic on the service charge was he is hedging that the consumption is down. So, changing the rate is fine. If we can help ourselves there, we might save ourselves a little bit later on. Ms. Knight said when the meter project costs come in we are talking about maybe doing a debt exclusion on the bill like a meter charge or are we going to build that into the customer service charge. We might have to go up \$10 or \$15 because of the meter project. Commissioner Smith said he doesn't mind not going up on the customer service charge because it was a minimal amount any way. What I look at is building the rate foundation. That 11% is where we would have been if we compounded 3% every year. Ms. Knight said her issue with that is we don't have the cost of these projects. We don't have any quantifiable data. Mr. Tuccolo

said why don't you see how it plays out. If what they chose is wrong you always have that backup of saying this is what we told you to do. However, if they are correct, then it worked. Commissioner Friede said the whole problem is we don't look like a cohesive group of people when we don't agree. Mr. Tuccolo said we don't always have to agree. He didn't agree with the Commission putting \$200,000 on the sewer and nothing on the water. It makes absolutely no sense in my brain. Commissioner Friede said we spent a lot of time talking about this and we should have left the room in accord because we both have a stronger position. We should have left this room all in agreement. Mr. Tuccolo said he agrees but on the flip side it is Julie that does the numbers daily and if she doesn't agree with something then that is her position. Commissioner Smith said he would have been much happier if we went back to the \$200,000 rate subsidy, \$100,000 for water but somehow that got morphed into \$300,000, \$100,000. Commissioner Jones said the issue was also that we had \$450,000 for the design costs of potentially for Indian Hill. It came in at \$265,000. Ms. Knight said \$265,000 is the baseline. They are going to need that \$450,000. Ms. Knight said she went through every CIP account and liquidated. After we fund everything out of the CIP and if we use the \$100,000 we will still have almost \$800,000 in retained earnings and at the end of the year we have some money left over in personal services.

Commissioner Jones adjourned the meeting at 5:30 pm.

Respectfully Submitted By: Karen Bush