

**VEAZIE SEWER DISTRICT
AUGUST 8, 2012 – MINUTES
6:30 P.M.**

Attended by: Chair Rob Tomilson, Trustee Gary Brown, Trustee Jim Parker, Supt. Gary Brooks, Tammy Olson, and members of the public.

- 1) Call Meeting to Order – Rob called the meeting to order at 6:35 p.m.
- 2) Consider Meeting Minutes of July 11, 2012 – Jim said that in paragraph 8, he said that labor costs exceeds operational income and would like that clarified in the minutes. Rob said that Jim stated in the meeting that he believed the District would be insolvent in December and that Supt. Brooks corrected him by saying October, but that was not in the minutes. Tammy said that the word “insolvent” was not used, but that the District would not have the funds to make the bond payment in October. Jim moved to approve the minutes as amended; Gary seconded. Vote 3-0, passes.
- 3) Review Agenda – There were no changes to the agenda.
- 4) Executive Session per 1 M.R.S.A. Section 405(6)(E) to discuss pending/contemplated litigation with the District’s attorney – Jim moved to go into Executive Session per 1 M.R.S.A. Section 405(6)(E); Gary seconded. Vote 3-0, passes at 6:39 p.m. Jim moved to come out of Executive Session per 1 M.R.S.A. Section 405(6)(E); Gary seconded. Vote 3-0, passes at 6:47 p.m.
- 5) Review Annual District Audit, Nick Henry of Horton, McFarland & Veysey – Nick began with page 1, stating that in the third paragraph he notes that the District’s financial information is all backed up. Jim asked if he looked at minutes, and Nick said he does that before looking at any numbers. Nick then noted that cash was down about \$39,000, and the Accounts Receivable was up a little bit this year due to delinquents. He also noted that there are deferred charges of about \$20,000 because it is industry standard to write off rate case expenses over three years; the remaining is the foreclosure matter legal fees. Jim asked for additional information related to the reserve accounts. Nick explained the actions taken by the Trustees at the beginning of each fiscal year, and that the intent when the vote was made was a goal for the year but at the end of the year the money wasn’t there. Jim asked if this was a management issue, and Nick said that the governing body designates funds, not management. Depreciation was discussed, and Jim said that amount should be set aside. Nick added that most utilities factor in depreciation into the rates, and that he would factor in expenses, depreciation, and reserves and build the reserves by having it as an expense line item that is billed to customers. Nick added that the original three-year rate increase was scaled back to a more comfortable level. Nick said that just as Trustees designated the funds, the Trustees could undesignated the funds and start from scratch. He suggested doing this. Rob asked if the District had a \$90,000 shortage, and Nick said that amount ties to an accrual accounting net loss, and that the actual cash is approximately \$40,000. Internal controls were discussed next. Nick said that the internal controls here were already much better than other Districts this size, but added that Trustees should review and initial bank statements and printouts of checks sent.

- 6) Auditor Nick Henry, Monthly Cash Flow Projections From July '12 to March '13 Including –
- Balance of all district accounts at the beginning of each month
 - Income to be received in each month
 - All expenses that will be due each month, itemized
 - Reserve account balances, answers to Trustee Parker's questions

Nick reviewed his monthly cash flow projections, starting with the actual cash balances as of July 31, 2012. Jim asked why the salary figures were high for August and January, and Nick explained that those months have three paydays instead of two. He based other numbers on no overtime, no increases, health insurance increasing 4% next year, and dental reimbursements remaining the same. He divided budgeted amounts evenly for the year, and said that based on his projections, the District will be \$50,000 short in September. He suggested short-term financing or getting the Town's assessment paid in installments. Rob said that time is a factor with the October bills, and Jim said many people won't pay their sewer bills because their tax bills went up significantly. Additional financing information was discussed.

- 7) Treasurer's Report From District's Treasurer on District's Finances – Jim wants a report from the Treasurer stating how much money the District has; what the District will spend next week, the week after that, and so on; and revenue and would like the Treasurer to make recommendations.
- 8) Presentation of Costs Reduction Ideas from Superintendent Brooks – Supt. Brooks said that he has some ideas; however, his vacation and the recent audit took up some of his time. He said that other than wages and benefits, there isn't much room for cuts. He is looking into Maine Power Options to save some on power costs, and he explained this program.

Rob asked what the savings would be, and Supt. Brooks said that still needed to be calculated. Jim said that's a good item, but that isn't going to save the District. Jim asked if he had any recommendations on staffing and benefits cuts, and Supt. Brooks said not at this moment. Jim said there has been an 11% increase over the past three years, and asked if Supt. Brooks had a staffing position he could reduce. Supt. Brooks said he did not believe so. Supt. Brooks began to explain the staffing level recommendations for the District, and Jim said that was irrelevant because the District cannot pay its bills. Supt. Brooks said that if the Trustees want short-term savings, then cut the staff. Supt. Brooks added that in this day and age when everyone is talking about infrastructure, then the District will not be where it needs to be down the road. Jim said if there isn't money enough to pay the people we have now, then what do we do in the short term. He is hesitant to go to the Town for an advance on the assessment, and he doesn't know how the council will vote, particularly since there is one councilor who cannot vote. Jim said we have to fix things in house. Supt. Brooks explained the history of the assessment, and how historically we got a portion of the assessment every September.

Jim said that currently the Town has a tremendous problem paying its own bills. Advancing some of the assessment would help the District in the short term, but he was

unsure as to whether or not the Town would have the money. Jim added that we would then need to address the long term. Supt. Brooks said that the assessment is due on or before December 31st. Rob asked if that was part of the District's charter or the Town's charter, and Supt. Brooks said the District's charter. Jim said the Town has a cash flow problem right now, and the Town is firing people to try to balance the books. If they have the money we can ask them for it, and then deal with the long-term issues.

Short-term financing was then discussed, and Supt. Brooks described tax-anticipated short-term loans, and pointed out that for three years he has been advocating a rate increase, and that he has been supplying Trustees with rate information from other districts. Jim said the assessment would have to be factored into our rates before comparing them to districts without an assessment. Rob said he came up with 31% of the revenue coming from the assessment, 19% from debt retirement, and 50% from rates.

Jim then said that when we start accruing liabilities with no way to pay them, that's a concern. We have some liabilities to employees, and we need to find a way to extend that, so that if an employee leaves they get paid over time. Otherwise the District could have to come up with an additional \$50,000 to \$100,000 over and above what we have discussed. Supt. Brooks said that it has been previously discussed that if an employee left, they would not get a lump sum, that it would be distributed like regular payroll. Jim said that distributing it like regular payroll won't work, because we could end up with five people working here and five people no longer working here all drawing paychecks. He said it needs to be spread over time. Supt. Brooks said typically there are not mass people walking out, particularly since there are only four employees. Supt. Brooks clarified with Nick Henry that the accrued benefits were accurate as of May 31, 2012. Tammy pointed out that some sick and vacation time had been used since then.

Supt. Brooks said that even if a position is eliminated, a rate increase is still needed. Jim agreed, and said he has already run some numbers. Supt. Brooks pointed out that if the original plan of a three-year rate increase had been followed through on, we would not be in this position. Jim then discussed the difference between the appropriated balances of the reserve accounts and the actual balances of the reserve accounts. He then said the first thing to do is raise the debt retirement charge from \$25 to \$35 so that it actually covers the debt. The rest would be covered by a 69% rate increase, so we should be able to tell ratepayers how we have tightened our belt in-house and delayed paying accrued benefits so we can tell them what we can and can't do.

Jim said that District employees get a raise for getting an operator's license, and added that Orono-Veazie Water District employees are encouraged to get licenses but do not get raises. He added that 50 cents an hour is \$1,000 a year times two or three employees that don't use those licenses – that's a policy we need to get rid of.

Jim further discussed how the District cannot keep digging a hole, and Supt. Brooks again stated that we would not be in the hole if the original three-year rate increase had been followed through. Jim said that's inexcusable for it to have not happened, and with him on the board it will happen. But he wants to tighten the District's belt, and then take a hard look at the rates.

Supt. Brooks said that he is not going to debate what he did and didn't do because he doesn't have a vote. He has given suggestions in the past, and so has Nick. Actual losses as well as depreciation were discussed. Jim said we cannot continue to operate at a loss, and Supt. Brooks agreed. Jim said that the Trustees need good recommendations from Supt. Brooks before we go to the council. He again added that he doesn't know how the council will vote. Supt. Brooks said we all work together. Jim said Tammy can't vote on these issues because it influences her income. Jim said we could ask, and Supt. Brooks agreed. Supt. Brooks then asked if he would like the superintendent or the Trustees to do it. Jim said first we need to decide if we are going to do it. Rob said that we should do both – go to the Town and a bank. Supt. Brooks agreed and asked for bank suggestions, since Jim previously stated that he would not go to Bangor Savings Bank. Jim said Katahdin, and added Key Bank after finding out that's where the District has its bank accounts. Rob suggested getting a line of credit, but Jim said he prefers a fixed loan. Jim said that a six-month term would allow them time to increase rates.

Rob said the Trustees need to vote on some actions to get them started down this path. Jim made the following motion:

— For Supt. Brooks to come up with a recommendation on a time for paying out accrued benefits. Until we get the new rate structure, he would like to stop accruing benefits. Jim acknowledged that the Trustees would need to consider this.

— For Supt. Brooks to come back with good recommendations for reducing costs short and long term. Rob asked if Jim wanted a dollar goal, and Jim said no. Jim added that he would like to see Supt. Brooks look at staffing, overtime authorization, and the expenses that go along with those.

— For Supt. Brooks and Rob to approach the Town Council for an advance of \$60,000.

— To contact Key Bank then Katahdin and see what they can do. Rob asked if that was for a six-month bridge loan of \$100,000 and Jim said yes.

Jim added that Supt. Brooks could work with Gary as Treasurer to make cuts. Gary then asked Jim what he was suggesting for the payout of accrued benefits. Jim said he wasn't suggesting anything, he is asking for recommendations. Jim said maybe it could be paid out over five or ten years. Gary said that paying out accrued benefits is something that might happen, that no one is leaving and this is just in case. Jim said that accrued benefits are unfunded, so if even one person leaves then there isn't money to pay him.

Jim added to his motion that the Trustees be notified after the banks are contacted. Rob seconded. Rob asked if there was any discussion, and Jim reiterated that Supt. Brooks needed to provide guidance. Jim then asked for Nick for an estimate on how much it would cost to work with Supt. Brooks to prepare a rate structure for the District. Nick said he is billed out at \$60 an hour, and Jim said it would probably cost \$2,000 to \$3,000. Nick said he could come up with quick projections, but Jim said he would probably want it projected out five years. Vote 2-1, passes.

- 9) Trustee Brown's Request For Information Access Act – Rob said that Gary asked him for a copy of the email list, and he apologized to Gary for being short with him at the last meeting. Rob gave the list to Supt. Brooks.

- 10) Normal Meeting Date Change – Rob said that Wednesday meetings are somewhat difficult when you are traveling because they are right in the middle of the week, and that a Monday meeting would be much more convenient to allow travel and still maintain responsibility to the District. Rob proposed that the meetings be changed from the second Wednesday of the month to the third Monday of the month. Jim said Mondays are good for him. Rob said the Town election would be the second Tuesday in June, which would allow the third Monday to be the first District meeting following the election. Jim asked if we would start in September, and Rob said yes. Jim pointed out that the September meeting should be sooner rather than later, and Rob and Jim agreed to start the new meeting date in October. Jim moved to move the meeting date to the third Monday of the month beginning in October, Rob seconded. Vote 2-1, passes.
- 11) Buck Hill Gate Update – The gate is built and one post has been installed. We were sent some wrong fittings but should be finished next week. Rob asked if we could provide a key to the police chief, and Supt. Brooks said he would.
- 12) Freedom of Information Update – Supt. Brooks reported that there have been no new requests.
- 13) Review Legal Invoices – Jim said that the Trustees went into Executive Session to discuss something very specific, and then the attorneys wrote a report and sent it out. The results of that Executive Session meeting should have been private between the Trustees and the attorney. No votes were taken and no decisions were made, so there should not have been a memo. Once that memo was mailed out, it becomes a public file. Jim said when he has an Executive Session with the attorney, he doesn't want it to become a public file. Supt. Brooks suggested checking that, because he is under the impression that if it is marked "Attorney-Client Privilege" then it is not public. Jim said the attorney sent it to Supt. Brooks and Supt. Brooks has it in his files. If someone wants information, they will get Supt. Brooks's files. Jim said he is not happy with that bill. Jim further reviewed the invoice, and noted that the District was billed for two letters being sent to the Trustees. He asked Rob if the Trustees received two letters, and Rob said yes. Jim said he thought the bill was too high because the District should not be billed \$600 or \$800 dollars to get a copy of a contract. With the other bill, Jim said the MMA attorney cannot work in a vacuum so that bill should be paid. Jim moved to pay the \$1100 bill, Gary seconded. Vote 3-0, passes. Jim moved to table the other bill for further consideration, Gary seconded. Vote 3-0, passes. Rob told Supt. Brooks that legal fees are an area where there could be some cost savings, as Eaton Peabody bills out at \$265 an hour while the going rate is \$140 an hour.
- 14) Superintendent's Report – a) The plant is operating great right now. We are doing manhole evaluations and facility maintenance. b) Jim asked about algae problems, and Supt. Brooks said it depended on the season. Algae was a huge issue before the upgrade. Supt. Brooks discussed various algae control experiments, and added that the limit is 30 and we are typically in the low 20s. c) Supt. Brooks checked with MMA and they do not provide pole and line coverage through our insurance. They recommend keeping the trees trimmed. d) One of the three-phase fuses kicked out on a pole. Bangor Hydro is unsure about what caused the issue. The bill for fixing it will be \$146. e) The District is having a

communication problem with the Buck Hill pump station. Supt. Brooks thinks we need a new antenna on our roof.

- 15) Other Business – a) Gary asked if Jim got the letter from the Attorney General’s office. Jim said he spoke with Phyllis Gardiner in the AG’s office, and that he was welcome to call her if he’d like but that he would not be getting a letter. b) Rob asked if anyone had comments on the email from Travis Noyes. Supt. Brooks said he wished some things said in the letter were thought out more. Supt. Brooks said he came here 23 years ago and there was nothing in this building. He added that he sacrificed over the years. When he started here, the financial situation was similar and the District got a short-term loan. There was a comment about friends being bosses, and Supt. Brooks said that the Trustees in the past were at best acquaintances and that he didn’t know some of them at all. The letter mentioned rumors about CES running the plant, and Supt. Brooks said that contract operations have been discussed in public meetings. Supt. Brooks said that no employee has ever gotten a 10% raise, and that labor costs have not doubled in the last 10 years. We did add a full-time position seven years ago because the upgrade added two buildings, a pump station, and some very expensive equipment that needs to be maintained. Supt. Brooks then described some of the in-house maintenance and projects we are able to do that other Districts do not do. Supt. Brooks said the District looks into outsourcing billing every few years, and added that the Superintendent of the Orono-Veazie Water District did not recall speaking to anyone recently. The Water District, along with some other local Districts, do not seem to favor combined billing and accountants tend to have issues with the co-mingling of funds. Supt. Brooks then added that the District does not have a Secretary, it has an Office Manager that does liens, billing, payroll, and more. Supt. Brooks discussed personal use of vehicles by department heads and other superintendents, as well as department heads and other superintendents whose salaries are higher than the town managers of the towns they work in.
- 16) Public Comments – Member of the public Cathy Brooks commented on the Travis Noyes email. She disagreed that the District was mismanaged for 10 years by a bunch of friends. She added that Mr. Noyes and Mr. Parker were the biggest opponents of the rate increase that would have provided adequate funds for this District. Jim said his concerns were related to information that he did not see. Cathy Brooks said that 10 year’s worth of information was requested, and that no one came to get what was gathered. Jim then asked if they were going to spend time at meetings on letters from the public. Cathy Brooks added that she has requested information from the Orono-Veazie Water District but has not received it. One of the items requested was the superintendent salary, and she was able to find that amount -- \$92,000 -- on the PUC website. Jim said to keep in mind that the Orono-Veazie Water District pays its bills, and Cathy Brooks said that was because they have had rate increases all along. Member of the public Travis Noyes asked Nick Henry how much money should be in the reserve accounts, and Nick said there is no set amount. Travis Noyes said the District needed to come up with the \$340,000 that the Trustees have designated for the reserve accounts, and Nick said no, that the Trustees could undesignate those funds. Travis Noyes asked about the budget being higher than the revenue, and Nick said this was discussed with the District each year. The Trustees finally agreed to a rate increase but then scaled it back. Travis Noyes then added that he may have not gotten all of the facts right in his letter, but said the main thing is that he did not believe the manager would come back with budget cut recommendations.

Member of the public Joan Perkins said she would like to note that the Superintendent of the Orono-Veazie Water District makes \$92,000 a year, and that Trustee Parker was on that board for 34 or 35 years. She added that his concern over salary increases here seems to be a change in philosophy. She also asked about his behavior in the Legislature. Cathy Brooks made an additional comment on the manager making budget cuts, and said that she believes the Trustees want the Superintendent to cut a position. Travis Noyes reviewed his Freedom of Access Act request from last year and said he still hasn't gotten an answer as to why another full-time position was added.

- 17) Adjournment – Rob asked for a motion to adjourn. Supt. Brooks said he had one more item for the Trustees and distributed a document. Jim said it would be dealt with next month and made a motion to adjourn; Gary seconded. Vote 3-0, passes at 9:19 p.m.