



Established

1996

SPRINGFIELD WATER AND SEWER COMMISSION

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SPRINGFIELD WATER AND SEWER COMMISSION

Minutes of Meeting

April 15, 2020

The Springfield Water and Sewer Commission held a virtual meeting on April 15, 2020. The virtual meeting was held in accordance with Governor Baker's *Executive Order Suspending Certain Provisions of the Open Meeting Law*, G. L. c. 30A, § 20, dated March 12, 2020.

Chairwoman Vanessa Otero called the meeting to order at 9:05 a.m., and announced the Commissioners that are participating remotely. Commission Secretary Jaimye Bartak called the attendance roll:

William E. Leonard, Participating Remotely
Daniel Rodriguez, Participating Remotely
Vanessa Otero, Participating Remotely

Also Participating Remotely
Joshua Schimmel, Executive Director
Norman J. Guz, Commission Counsel
Anthony Basile, Comptroller
Domenic Pellegrino, Director of Finance
Bill Fuqua, Director of Wastewater Services
Dan DiRienzo, Director of Field Services
Scott Loomis, Procurement Officer
Nicole Sanford, Water Resources Manager
Christina Jones, Deputy Director of Water Operations
Stephanie Douglass, Human Resources Manager
Jim Laurila, Director of Water Operations
Katie Shea, Educational Outreach Specialist
Jaimye Bartak, Communications Manager/Secretary of the Commission

Business Matters

1. Approve the minutes of the meeting held on March 25, 2020, without reading, because copies were furnished to each member of the Commission for their review.

UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER RODRIGUEZ

**VOTED YES –
COMMISSIONER LEONARD
COMMISSIONER RODRIGUEZ**

COMMISSIONER OTERO: to approve the minutes of the meeting held on March 25, 2020, without reading, because copies have been furnished to each member of the Commission for their review.

2. Approve the minutes of the executive session held on March 25, 2020, without reading, because copies were furnished to each member of the Commission for their review.

UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER RODRIGUEZ

VOTED YES –

**COMMISSIONER LEONARD
COMMISSIONER RODRIGUEZ
COMMISSIONER OTERO:**

to approve the minutes of the executive session held on March 25, 2020, without reading, because copies have been furnished to each member of the Commission for their review.

New Business

3. Update on Coronavirus Response: Report by Executive Director.

Executive Director Josh Schimmel reported on the coronavirus response. Mr. Schimmel reported that staff have continued with their continuity of operations with no major incidents. Mr. Schimmel commended staff for their continued dedication to providing essential services.

Mr. Schimmel commented that the Commission was generally ahead of other utilities in implementing plans to ensure employee well-being. Shelter-in-place provisions are available at both plants, which other utilities have replicated following the Commission's example. Different guidance documents are being developed by staff on how to address scenarios such as exposed employees and exposed family members. Leadership staff have been advocating to state agencies that water sector employees should be eligible for testing along with first responders.

Mr. Schimmel continued that the financial impacts are still being assessed. Construction projects are still ongoing per the official guidance of the governor, but projects within Commission facilities are postponed or delayed in order to limit exposure to employees. Staff continue to participate in MassDEP's weekly briefings, along with any briefings from MEMA and other state agencies. Mr. Schimmel reported he sat on a national panel for NACWA, with 1,200 people in attendance, and also had a call with EPA Administrator Wheeler to provide his perspective from the water sector and the need for funding in the forthcoming stimulus bill. Mr. Schimmel also reported he has weekly individual calls with MassDEP Commissioner Suuberg where they discuss financial impacts and testing for employees.

Commissioner Otero thanked Commission staff for their hard work and expressed her appreciation. Commissioner Otero asked if staff can be tested for coronavirus at the Big E. Mr. Schimmel replied that he was working with MassDEP Commissioner Suuberg on gaining eligibility for employee testing once everyone returns to work.

4. Financial Update: Report by Comptroller.

Comptroller Anthony Basile reported \$110.4 million in cash. This represents a \$16.3 million increase over the course of year, mostly attributable to the bond issuance of \$23 million. To date, \$53.7 million of the budget has been spent, which includes all salaries, supplies, materials, debt service, etc. It is expected that \$71.5 million, or 98.9% of the budget, will be spent, though that is expected to change. Mr. Basile reported that one overspent item is in the intergovernmental category, due to owing the Town of Blandford more PILOT funding.

For the capital budget, \$34.7 million has been spent in total capital projects and expenditures, including \$23 million for the York Street Pump Station and Connecticut River Crossing Project.

For the revenue budget, there has been over \$65 million in collections, which is slightly below expectations. A 2% lag of consumption is starting to be evident. This will result in a loss of revenue due to business sectors slowing down. A \$3.3 million revenue shortfall is currently expected due to the pandemic. In the general revenue category, there is a \$620,000 difference between year-to-date and projected revenues due to interest earnings, but it is unclear if that will hold based on market conditions and what is bought/sold through June.

There is \$28.3 million in unrestricted cash, which represents 25% of overall cash. The Commission's financial policies recommend keeping unrestricted cash at \$20 million. This amount varies from month to month.

There was \$4.4 million in total outstanding receivables, of which \$1.6 million is over 60 days old. There was \$571 million in total assets, and \$403 million in liabilities, including long-term debt and pension obligations.

5. Consideration of FY20 O&M Budget Amendment #4: Report by Comptroller.

Mr. Basile reported that this amendment is necessary because the Commission owes \$36,000 in PILOT funding to Blandford. Town officials and Commission staff met numerous times to discuss parcels the Commission owns and their valuations, line by line. It was discovered that the Town has been under-billing for the past several years. The amendment is to request \$80,000 for FY19 back payments and in anticipation of the FY20 bill.

UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER RODRIGUEZ

VOTED YES –

COMMISSIONER LEONARD

COMMISSIONER RODRIGUEZ

COMMISSIONER OTERO: to approve FY20 O&M Budget Amendment #4.

6. Consideration of Utility Billing Credit Summary and Summary of Accounts Receivable for March: Report by Director of Finance.

Director of Finance Domenic Pellegrino reported net billings of \$1.6 million and collections of \$6.8 million, for a balance of \$3.8 million. There were 5,114 accounts with receivables over 60 days, for a total of \$1.6 million. Mr. Pellegrino commented that the overall numbers are positive compared with last year's, but the pandemic could have an opposite effect over the next few months.

There were 25 credits issued in the amount of \$2,756.72.

UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER RODRIGUEZ

VOTED YES –

**COMMISSIONER LEONARD
COMMISSIONER RODRIGUEZ**

COMMISSIONER OTERO: to approve credits in the amount of \$2,756.72 as presented.

7. CIP Amendment Number 2020-27: Report by Director of Finance.

Director of Water Operations Jim Laurila reported that funding from a canceled filter cleaning project is needed for the preliminary design of the bypass of the power plant, as well as modifications to the diversion gates to provide more water to West Parish Filters.

Commissioner Otero noted that the Amendment being voted on was 2020-27, not 2020-26.

UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER RODRIGUEZ

VOTED YES –

**COMMISSIONER LEONARD
COMMISSIONER RODRIGUEZ**

COMMISSIONER OTERO: to approve CIP Amendment 2020-27.

8. Consideration of Extension of PA1716-17 Janitorial Services for the Administration Building:
Report by Director of Finance.

Mr. Pellegrino reported that a three-year janitorial contract was set to expire, but the pandemic is preventing new procurement. Due to this, the contract can be extended until October 31, 2020.

UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER RODRIGUEZ

VOTED YES –

**COMMISSIONER LEONARD
COMMISSIONER RODRIGUEZ**

COMMISSIONER OTERO: to approve Extension of PA1716-17 Janitorial Services for the Administration Building.

9. Consideration of GIS Analyst Job Description: Report by Executive Director.

Mr. Schimmel reported that due to a new vacancy, the job description for the GIS Analyst position is being revised to require more skills than entry level. The starting salary will be \$45,000-\$60,000.

UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER RODRIGUEZ

VOTED YES –

**COMMISSIONER LEONARD
COMMISSIONER RODRIGUEZ**

COMMISSIONER OTERO: to approve the GIS Analyst Job Description.

10. Update on Water and Sewer Activities: Report by Executive Director.

Mr. Pellegrino reported on a new CIP amendment, number 2020-28, which would transfer \$30,000 from the CIP reserve account for repairs to the 42” and legal work associated with it.

UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER RODRIGUEZ

VOTED YES –

**COMMISSIONER LEONARD
COMMISSIONER RODRIGUEZ**

COMMISSIONER OTERO: to approve CIP Amendment 2020-28.

Mr. Schimmel reported that there were much improved test results for HAA5, with all of the samples being below the regulatory limit. There was still an exceedance since the regulatory is limit is based on an average of the past year’s results.

Mr. Schimmel announced that the annual budget hearing would be virtual due to the pandemic, on June 2, 2020 at 6 PM.

Commissioner Rodriguez asked how people would participate. Commissioner Otero asked whether presentation slides would be visible at full-screen size. Mr. Schimmel responded that the Teams platform would be used and IT will look into sharing full-screen. Commissioner Rodriguez noted that it may be easier for some people to participate virtually than in person.

Mr. Laurila reported that Cobble Mountain Reservoir is 96% full, which is enabling additional power plant runs. Treatment at West Parish Filters is going very well. The next HAA5 sampling will be in June. The pilot plant project starts at the beginning of May. There have been more people observed trespassing in the watershed.

Director of Field Services Dan DiRienzo reported that Colton Street has an essential number of employees reporting in order to minimize contact. Customer service is answering calls from home. The sewer group is still jetting syphons, and the water quality group is doing increased flushing. The stockroom manager is active in procuring disinfectants, cleaners, and PPE for the entire Commission.

Chief Engineer Bob Stoops reported that engineering staff are working remotely and coordination has been effective. Work is ongoing to install a liner on Provin tank 2. The hazardous waste found at the Burghardt Street project is being removed. Other ongoing projects include capital planning, working towards making diversion gates operable in four seasons, and a bypass through Cobble Mountain power station. Inspectors are receiving 30-40 requests a day for utility markouts.

Director of Wastewater Operations Bill Fuqua reported that work on the York Street project is progressing, despite the carpenters and iron workers leaving the project due to the pandemic. Their involvement was minimal at this stage in construction so their impacts should not be felt for another month. The final pour of the influent structure was last week. SUEZ negotiations are still ongoing and making progress.

Mr. Basile reported that the work on the budget is continuous. Accounting staff are remote and working effectively.

Mr. Pellegrino reported that customer service staff are remote with a computer and a phone. Staff are receiving approximately 100 calls/day, and are busy conducting real estate closings and cash receipts.

Director of IT James Richardson thanked the Commissioners for previously investing in business continuity technology, which is enabling remote work. Monitoring cybersecurity threats continues. IT has closed over 1,000 tickets since going remote. Remote billing has also been successful.

Human Resources Manager Stephanie Douglass reported that she is engaged with employee communication, and has been receiving gratitude from employees for leadership's proactive and swift planning as well as taking their health and safety into account.

Mr. Schimmel reported that he continued to have daily calls with the leadership team and a weekly virtual all-staff meeting.

Mr. Schimmel provided an update on the proposed FY21 rates. There was a 9.9% increase for FY20. Projections last year suggested that FY21, FY22, and FY23 would have 7.5%, 7.5%, and 5% increases, respectively. The bond sale that took place in October 2019 was going to be the last for at least 10 years, after which cash and SRF loans would pay for projects. This strategy would allow for significant cost savings due to the lower cost of borrowing.

According to the Commission's financial policies and bond covenants, the debt service coverage ratio needs to be over 1.5. At the end of FY19, there was a \$4 million surplus due to larger than anticipated revenues, high generation at the power plant, and under-expenditures in the budget. That surplus was utilized to keep the increase for FY20 to 9.9% instead of 15%. There was also \$7 million in SRF reserve relief, which was anticipated to be used to offset future rates in FY 21 and FY22.

Mr. Schimmel continued that the failure of the 42" bypass in August 2019 initiated approximately \$15 million in additional work that was not on the budget last year. Some of those projects are to create redundancy for water conveyance to the treatment plant. This is because with the 42" bypass out of service, and the diversion gates seasonally idled, there is now only a single path to convey water from the reservoir to the plant. In addition, the hydroelectric market has gone into a steep decline. Electric rates next year should be stable but will significantly decline the following year. In light of that, proposed capital investment in the power plant does not seem worthy, however the plant needs to stay online since it is currently the only way to convey water to the treatment plant.

Fixing the 42" bypass will take 18 months, so making the diversion gates operable in winter and upgrading the power plant are necessary to supply water. When the capital plan and operating budgets were finalized with these new developments, a 20-24% rate increase emerged, but through reprioritizing projects and reshaping financing, the increase was pared down to 12%. The 12% increase would have kept increases in future years manageable.

Mr. Schimmel continued that the arrival of the pandemic complicated the scenario. The assumptions about the next three months of this fiscal year, and the first three months of the next fiscal year, are the following: a 5% increase in consumption for residential customers; a 90% decrease for commercial/municipal/industrial customers, since schools and universities are closed; and a 50% reduction for Solutia. A greater than 50% reduction for Solutia is already occurring. Delinquencies are also up 15% over the baseline, since people are losing their incomes, and there are currently no shut offs or late fees to compel payment since it is important that people have access to clean water during the pandemic.

Mr. Schimmel said that assumptions for the next fiscal year are that more people are back at work, so there is a 10% increase in commercial/municipal/institutional consumption; wholesale water sales stay even, since Springfield has more industry than those communities; and Solutia consumption is down 25% in the first three months. Assumptions also account for the fact that businesses shut down at 90% through June, then 75% for July and August, but that there are also some businesses that will not come back. These numbers and assumptions were tested and verified with other utilities and an independent consultant.

Over the next three months there is a projected \$4 million loss of revenue, and then \$3.5 million in losses are projected for the first three months of the fiscal year. This does not include the \$2 million in estimated losses due to businesses that do not come back. This totals to a projected \$9 million in lost revenue. Cash flow will also be impacted since collections will not be as timely as in the past.

Mr. Schimmel explained that in the financial modeling, keeping the 12% increase and incorporating the lost revenue results in a large gap in the current profile. A 17% increase would recover the pandemic's losses. If a 15% increase were to occur instead, future rate increases will be higher. Overall a 25% increase is needed over the next two years to recover from the pandemic impacts and losses in FY21-22.

Mr. Schimmel continued that the stabilization fund can buy down a rate increase point for a single year, but will not help next year. There still needs to be enough revenue generated for the debt service coverage required for bond covenants. The purpose of the stabilization fund is to stabilize rates if Solutia were to permanently close. Solutia's market is linked to the automobile industry, which is also currently shuttered. Mr. Schimmel and Mr. Basile commented that the stabilization fund is available but should not be drawn down to the point where it is not available to offset the risk of Solutia closing permanently.

Mr. Schimmel continued that another complicating factor is that prior to the pandemic, assumptions were for a 2% reduction in general consumption and a 7% reduction in Solutia's consumption, simply based on prior trends. Mr. Schimmel commented that now is not the time to pull back on infrastructure investment. There are no unnecessary projects on the books, and removing the projects remaining on the budget would put the system at higher risk.

Mr. Schimmel said that the April/March billing will provide a better picture of the cash flow. Mr. Schimmel pointed out that the increase for the average household will be \$10-12/month, or about \$140/year. A customer assistance program will also target the most income-challenged households. Mr. Schimmel noted that the increase should be considered in the context of what is the true value and worth of water.

Mr. Schimmel continued that the leadership team has been involved with advocating for the water sector to be included in the stimulus package. Mr. Schimmel said there needs to be a bailout for the water and sewer sectors because just like for the airlines, the customers are not there anymore. The request before the board is to proceed with submitting a budget package to the mayor with the proposed 16.9% increase, with the understanding that there is still time to see how consumption pans out before voting on the final rate.

Commissioner Rodriguez asked if there is an option to wait a month to create the new budget. Commission Counsel Norm Guz responded no, because the budget must be adopted in June in order to be in place for

July 1. To not do so would be in violation of Chapter 40N, and may require a disclosure notice that a budget has not been adopted, related to the general revenue bonds issued. Mr. Guz commented that the challenge is due to the future being so uncertain, and the board is forced to make decisions while conditions are constantly changing. Mr. Guz reminded Commissioners that the vote today does not lock in the rate, but rather allows the process to move forward to the public hearing in June.

Commissioner Leonard asked how much money is in the stabilization fund. Mr. Basile responded \$16.3 million. Commissioner Leonard asked how much could be used. Mr. Basile responded that the 16.9% increase is not dependent upon utilizing the stabilization fund, but \$700,000 of the stabilization fund would need to be used for each percentage point lower than the proposed increase. Commissioner Leonard noted that the amount of stabilization funds used needs to be decided by the public hearing. Mr. Guz replied that the current proposed rate increase is to meet the requirements of the statute, but there is still time to adjust.

Commissioner Rodriguez commented that while he supported moving forward with the proposed increase, it is difficult due to the evolving situation. Commissioner Rodriguez asked if the financial model included the potential recapture of losses from the 42" bypass insurance claim or lawsuit, and also the potential for stimulus funding. Commissioner Rodriguez expressed concerns about implementing a rate that cannot be reversed, and upsetting ratepayers unnecessarily. Commissioner Rodriguez noted that the median household income in Springfield means that many families have less than \$400/week to spend on food, water, sewer, and transportation. Commissioner Rodriguez commented that despite his concerns there is currently not much option.

Commissioner Otero commented that if a family is earning \$36,000/year, they are likely not homeowners. Rent may still be impacted, but ratepayers are predominantly homeowners. Commissioner Otero noted that it is still unclear how badly the impacts of the pandemic will play out, and that conditions could be even worse in two months. The proposed rate is the best that can currently be achieved.

Commissioner Leonard noted that he supported voting with the understanding that the proposed rate is based on current conditions and assumptions, and will be reconsidered.

UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER RODRIGUEZ

VOTED YES –

**COMMISSIONER LEONARD
COMMISSIONER RODRIGUEZ
COMMISSIONER OTERO:**

to approve the submittal of the proposed FY21 O&M budget, capital plan, and water and sewer rate of 16.9% as presented by the executive director to the mayor for consideration.

The next meeting will take place on Thursday, May 14, 2020, at 9 AM. The meeting will be held virtually.

11. Consideration of Settlement Proposal: Report by Executive Director.

Addressed in executive session.

12. Update on 42-inch Bypass and Plunger Valve: Report by Executive Director.

Addressed in executive session.

13. Consideration and/or action on any other matters that may come before the Commission at this meeting.

None considered.

**AT 10:55 AM UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND
SECONDED BY COMMISSIONER RODRIGUEZ**

**VOTED YES –
COMMISSIONER LEONARD
COMMISSIONER RODRIGUEZ
COMMISSIONER OTERO:**

to enter into executive session to discuss the 42" bypass transmission main project and workers' compensation settlement proposal. It was determined that holding the discussion in public session could be detrimental to the Commission's position in potential litigation. It was announced that public session will not resume at the end of executive session.



Jaimye Bartak, Secretary