



*Established*

*1996*

## SPRINGFIELD WATER AND SEWER COMMISSION

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## SPRINGFIELD WATER AND SEWER COMMISSION

### Minutes of Meeting

**June 20, 2019**

The Springfield Water and Sewer Commission held a meeting at the John J. Lyons Administration Building, Agawam, MA, on June 20, 2019.

Chairman Daniel Rodriguez called the meeting to order at 9:00 a.m. and Commission Secretary Jaimye Bartak called the attendance roll:

William E. Leonard, Present  
Daniel Rodriguez, Present  
Vanessa Otero, Present

Also Present

Joshua Schimmel, Executive Director  
Norman J. Guz, Commission Counsel  
Anthony Basile, Comptroller  
Domenic Pellegrino, Director of Finance  
Bob Stoops, Chief Engineer  
James Laurila, Director of Water Operations  
Bill Fuqua, Director of Wastewater Services  
Nicole Sanford, Water Resources Manager  
James Richardson, Director of IT  
Scott Loomis, Procurement Officer  
Jaimye Bartak, Communications Manager/Secretary of the Commission

### **Business Matters**

1. Approve the minutes of the meeting held on May 23, 2019, 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 OTERO**

**VOTED UNANIMOUSLY:** to approve the minutes of the meeting held on May 23, 2019, 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 May 23, 2019, 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 OTERO**

**VOTED UNANIMOUSLY:** to approve the minutes of the meeting held on May 23, 2019, without reading, because copies have been furnished to each member of the Commission for their review.

3. Approve the minutes of the public hearing held on June 5, 2019, 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 OTERO**

**VOTED UNANIMOUSLY:** to approve the minutes of the meeting held on June 5, 2019, without reading, because copies have been furnished to each member of the Commission for their review.

**Old Business**

4. Consideration of O&M Amendment #3 – Transfer of Funds for OPEB: Report by Comptroller.

Comptroller Tony Basile reported that \$500,000 has been paid to the OPEB trust in current fiscal year. There is a \$20 million liability, and \$2.3 million in assets, with 10% funded. The goal is to reach \$10 million, which would create a 20% funded ratio.

Commissioner Leonard asked if this account earns interest. Mr. Basile replied that yes, there is a 7.8% interest return. A money manager manages the assets.

Commissioner Rodriguez commented that the target of \$5 million was set based on what was viewed as beneficial by S&P, but that there is no requirement. However, upcoming OPEB costs are real.

Executive Director Josh Schimmel asked if OPEB costs are currently booked as a liability by S&P. Mr. Basile replied they are booked as a net liability of \$21 million on the Commission's balance sheet. Mr. Basile requested transferring \$700,000 from the Personal Services account to the OPEB fund.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve O&M Amendment #3 – Transfer of Funds for OPEB.

**New Business**

5. Certification for Fiscal Year 2020: Report by Director of Finance.

Director of Finance Domenic Pellegrino read the certification of the budget for Fiscal Year 2020.

6. Consideration of the Proposed Revisions to the Commission *Rules and Regulations*, Excluding Chapter 5: Report by Director of Finance.

Mr. Pellegrino presented the vote to approve revisions to the Commission *Rules and Regulations* excluding Chapter 5.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve Proposed Revisions to the Commission *Rules and Regulations*, Excluding Chapter 5.

7. Consideration of the Proposed Schedule of Fees, Rates and Charges: Report by Director of Finance.

Mr. Pellegrino presented the proposed schedule of fees, rates and charges (Chapter 5 of the Commission *Rules and Regulations*) for FY2020.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve the proposed fees, rates and charges for FY2020.

8. Consideration of Proposed FY 2020 Budget: Report by Comptroller.

Mr. Basile reported that the proposed FY2020 operations and maintenance (O&M) budget is a 5% increase over last year, and an 8% increase when compared to the projected actual O&M budget. The funding in this O&M budget is sufficient to cover all expenses.

Mr. Schimmel added that the public hearing focused on the overall budget, and provided explanation for the rate increase on wholesale customers and changes to the O&M budget. There was also considerable dialogue with the board about the budget and capital plan. This is the largest projected rate increase for the next several years based on current plans and conditions.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve the proposed FY2020 budget.

9. Consideration of the Proposed FY 2020 Capital Improvement Program Budget and the Three-Year Capital Improvement Plan for Fiscal Years 2020-2022: Report by Director of Finance.

Mr. Pellegrino presented the three-year capital improvement plan (CIP) for FY2020-FY2022 in the amount of \$87,276,862, and to fund the one-year CIP for FY2020 in the amount of \$34,527,862.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve proposed 2020 CIP and 3 year CIP 2020-2022.

10. Financial Update: Report by Comptroller.

Mr. Basile reported on the financials from May. There is a \$94 million cash balance, with \$1.4 million drawn down since last month due to fronting for capital projects.

The operating budget is projected to be spent out at 97%. There was \$700,000 transferred out of the operating budget to OPEB, and there will be two additional transfers will come out of personal services due to vacancies.

There has been \$17.3 million spent out of the capital plan, with \$117 million on the books for appropriations. The Connecticut River Crossing project accounts for \$97 million of that, and the rest is for various other projects.

There were total revenues \$82 million. The positive variance is from interest and power generation. Another \$3.6 million is expected for the fiscal year.

Working capital represents 30% of total cash. There was \$4.8 million in receivables, with \$1.7 million over 60 days.

There is \$472.6 million in assets, and \$319.1 million in liabilities, including long-term debt and pension/OPEB liability. Mr. Basile commented that overall the Commission was in good financial shape for FY19.

11. Consideration of FY 2019 O & M Amendment 4: Report by Comptroller.

Mr. Basile reported that he is requesting a transfer from personal services to property damages due to the Ludlow pressurization incident. Attorney Liebel will provide an update at the next meeting on all claims for FY19.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve FY 2019 O & M Amendment 4.

12. Consideration of CIP Amendment 2019-2021: Report by Director of Finance.

Mr. Pellegrino reported on the close-out of project #003-0041. There was \$360,000 in appropriations, and this account now has \$5,079.49 remaining for transfer to the CIP reserve account.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve CIP Amendment 2019-2021.

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

Mr. Pellegrino reported on net billings of \$6 million in May, and receivables just under \$6 million. There were 5,580 accounts with \$1.3 million in billings last month. There were 66 credits issued in May for a total of \$18,559.13.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve credits in the amount of \$18,559.13 as presented.

14. Consideration of Increasing Appropriation for VFDs Replacement Project at West Parish Filters:  
Report by Director of Water Operations.

Senior Engineer Frank Zabaneh requested to transfer funding from a project that was completed under-budget to a project that will replace VFDs for the process water pumps at West Parish Filters. The pumps are very old with no redundancy. The initial intent was to replace existing VFDs with new pumps under the on-call contract, but the pumps had to be designed and connected to the SCADA system to provide redundancy. There were good bids, but the budget fell short, so the requested increase of \$72,000 is intended to enable the award of the project.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve increase of appropriation for VFDs Replacement Project at West Parish Filters.

15. Consideration of Extension of Kleinfelder Contract CA-1502-15: Report by Director of Wastewater Operations.

Director of Wastewater Operations Bill Fuqua reported on a request to approve the extension of Kleinfelder's professional contract to July 15, 2020. This will be the second one-year contract extension with the same terms and conditions. Kleinfelder has provided a new list of rates for personnel, which increased by 2% on average. The increases are reflective of the labor conditions for the company.

Commissioner Rodriguez asked why there was not a new three-year contract. Mr. Schimmel responded that because these are large procurements with multiple firms under the same contract, the contract allows for three single-year extensions.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve Extension of Kleinfelder Contract CA-1502-15.

16. Consideration of Authorization for Executive Director to Amend Forestry Consulting Contract: Report by Water Resources Manager.

Water Resources Manager Nicole Sanford reported that the existing forestry consulting contract expires on June 30. There is no change in the scope or value of the contract. Logging is still ongoing and will likely wrap up in early fall.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve the amendment of the forestry consulting contract.

17. Consideration of Amendment to Town of East Longmeadow Water Supply Agreement: Report by Commission Counsel.

Commission Counsel Norm Guz reported that town water contracts are in the process of being renewed. Some retail customers are served in East Longmeadow due to the infrastructure there. The proposed new contract outlines who is responsible for billing and operations and is updated to capture all the addresses. Mr. Schimmel added that the exhibit for the "border accounts" will help ensure that customers are being correctly served. The list of border accounts will be updated annually. In order to allow time to create the list, the existing contract needs to be extended until October 1. The Town of East Longmeadow has approved the amendment to extend the existing contract.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve Amendment to Town of East Longmeadow Water Supply Agreement.

18. Consideration of Amendment to Town of Longmeadow Water Supply Agreement: Report by Commission Counsel.

Mr. Guz reported that Longmeadow is still reviewing the amendment to extend the current contract until October 1. The issue with border accounts in Longmeadow is the same as East Longmeadow but more complicated. Mr. Schimmel added that some accounts in Forest Park receive Longmeadow water but are billed by the Commission, while the Springfield Parks Department and conservation center will be billed by Longmeadow for water to facilities in Forest Park.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO VOTED UNANIMOUSLY:** to approve Amendment to Town of Longmeadow Water Supply Agreement in the form presented.

19. Consideration of 2020 Contracts for Attorney Chadwell, Peter Karalekas, Attorney Bruce Leiter, Attorney John Liebel, Murphy McCoubrey, and Attorney Peter Murphy: Report by Commission Counsel.

Mr. Guz reported on several annual service contracts that are up for renewal.

The contract for Peter Karalekas is for him to attend operational and capital meetings, particularly in preparation for sanitary surveys.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO VOTED UNANIMOUSLY:** to approve the 2020 contract for Peter Karalekas.

The contract for Attorney John Liebel is for processing claims. The contract is for \$50,000 and is the same as last year's.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO VOTED UNANIMOUSLY:** to approve the 2020 contract for Attorney John Liebel.

The contract for Attorney Peter Murphy is for addressing labor and employment issues. The contract is not to exceed \$30,000.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO VOTED UNANIMOUSLY:** to approve the 2020 contract for Attorney Peter Murphy.

The contract for Attorney Chadwell is for on-call work related to workers compensation claims. The contract is not to exceed \$37,500 and is the same as last year's.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO VOTED UNANIMOUSLY:** to approve the 2020 contract for Attorney Chadwell.

The contract for Attorney Bruce Leiter is for issues related to public construction managers, CMAR, and the current preparation of the RFP for the wastewater operations contract. The contract is for \$50,000 and is the same as last year.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve the 2020 contract for Attorney Bruce Leiter.

The contract for Murphy McCoubrey LLC is for on-call counsel services for the Commission and Executive Director. The contract is for the same amount and same rate as 2019.

Commissioner Rodriguez commented that Commission Counsel Norm Guz is invaluable to the Commission and expressed his appreciation for Mr. Guz's service.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve the 2020 contract for Murphy McCoubrey LLC.

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

Ms. Douglass reported that a GIS intern recently reported on her final project, which will be beneficial to the entire Commission. An employee handbook for non-bargaining employees was also under development.

Procurement Manager Scott Loomis reported that he was reviewing several contracts for signature by the executive director.

Chief Engineer Bob Stoops reported that the 42" raw water main rehabilitation project will be completed in mid-August. The cover for Provin Mountain storage tank 2 has been designed. The bulk chemical storage project is at 90% completion. The hydro-power plant governors project is under construction, and the unit 1 cooling loop is being replaced. Letters to all of the Westfield homes being transferred to private wells were recently sent to schedule final connections or discuss treatment options.

Director of Water Operations Jim Laurila reported that Cobble Mountain Reservoir is 90% full. Recent sampling for HAA5 resulted in values from 46.7 parts per billion (ppb) to 74.2 ppb. Final review of those results is underway before submittal to MassDEP. Mr. Laurila explained that the MCL for HAA5 was exceeded, as had been anticipated, and that a public notification would be issued in July. The scope for the pilot plant operation is currently being reviewed by MassDEP.

Water Resources Manager Nicole Sanford reported that two land stewards are conducting land monitoring and culvert assessments. Debris from roads is being cleared. There are currently three active logging contracts at Ludlow Reservoir, and another will go out to bid next week.

Director of Wastewater Operations Bill Fuqua reported that the notice to proceed for construction of the York Street Pump Station and Connecticut River Crossing Project was received. A site contractor is starting next week. Permitting issues are still being worked through. Mr. Fuqua is also updating and finishing the RFP for wastewater operations services, which will be issued in the second week of July.

Director of IT James Richardson reported that upgrades to the work stations at West Parish Filters are finished. GIS staff are still working on the water service line mapping project.

Mr. Schimmel reported that MassDEP and EPA co-hosted a meeting on nitrogen limits in June. EPA will calculate nitrogen limits differently for everyone else, and comments will be submitted for those permits

as they come out. Mr. Guz clarified that EPA promised the Commission's permit will be issued by the end of September.

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

Mr. Schimmel reported on a recent audit of electric billing from the past 18 months. The audit found a discrepancy in the billing for the Commission's 85 accounts that total approximately \$3 million/year. The audit focused on Great Eastern (the Commission's previous energy supplier), and then Eversource (the current energy supplier following the bankruptcy of Great Eastern). Mr. Guz added that because of Great Eastern's bankruptcy, a claim cannot be filed for the incorrect billing. Commission counsel will recommend to the Commissioners the likelihood of recovering any damages is unlikely.

Mr. Schimmel continued that the change to Eversource retail rates resulted in an increase of \$306,000 in charges, which will not be recoverable because it was allowed in the contract. Another \$88,000 in increase was due to market fluctuations, but it is questionable if that increase is allowable per the contract. In total there was a \$395,000 increase due to the holdover rate from Great Eastern's first and second contracts, and then the default rate that went into effect when Great Eastern went bankrupt. The takeaway is that a new contract can include language without holdover rates, and that it is important to have a broker that is an asset holder/generator (vs. speculative). It would be beneficial if the next energy supplier owns its own generation assets.

Mr. Basile commented that Direct Energy is the Commission's current energy supplier, and it does own generation assets. Mr. Guz added that in the future the Commission will need to regularly check if the rate on the bills matches the rate in the contract.

Commissioner Otero asked if alternative sources of energy have been considered. Mr. Schimmel responded that the Commission produces hydro-electric energy for the market. An in-line hydro plant that would provide electricity to West Parish Filters is also being considered. Solar has been explored but did not yet prove feasible. Anaerobic digestion for sludge is also being explored to offset disposal costs. Other mid-sized utilities that have made commitments to net zero energy are buying energy-producing assets. The ability to turn sludge into energy is a large potential, but may not be economically feasible for another 3-5 years.

Mr. Basile continued that he is completing the energy audit for presentation to the board next month. The burn rate was higher for that cost center than in years past, so the budget will come up short. Mr. Basile requested transferring \$150,000 from personal services to the energy account to cover the shortfall.

Commissioner Otero asked how the personal services account was being tightened so the excess funding does not accumulate again. Mr. Schimmel responded that vacancies will only be carried for a half year going forward. Mr. Basile added that operational positions require work to keep filled and that Human Resources Manager Stephanie Douglass has been working hard to do so. Commissioner Rodriguez agreed that since there will always be vacancies, 100% of the funding for these positions should not be carried throughout the year.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO**

**VOTED UNANIMOUSLY:** to approve the transfer of funding in the amount of \$150,000 from personal services to the energy account.

Commission Rodriguez asked all staff members except Counsel and the Secretary to leave the meeting. Commission Rodriguez opened a discussion on the salary of the executive director. The executive director received a 4% raise last year. Staff raises ranged from 0 to 18%. The salary range for utility chief



executives in this area ranges from \$175,000 to \$225,000. The executive director of Hartford MDC receives \$300,000.

Commissioner Otero commented that she has no concerns on the performance of the executive director. She commended the performance of Comptroller Tony Basile and Director of Finance Domenic Pellegrino as well for putting the Commission in a better financial situation, and noted the savings that have accrued due to a better bond rating. Commissioner Otero noted her appreciation for the cultural shift including more transparency and accountability that has occurred in recent years.

Commissioner Leonard commented that he thinks the executive director has done a great job, enjoys working at the Commission, and is known in the industry. A compensation increase would prevent poaching from another utility. He added that it is crucial to keep employees satisfied and appreciated. The other Commissioners agreed.

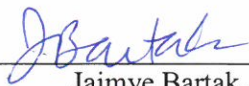
Commissioner Otero recommended a salary increase of 16.5% for the executive director with no changes to other benefits. Commissioner Otero added that she wished to make it clear to the executive director that other market-based adjustments should be made for other staff in order to retain them in this current labor market.

**UPON MOTION DULY MADE BY COMMISSIONER LEONARD AND SECONDED BY COMMISSIONER OTERO VOTED UNANIMOUSLY:** to authorize a salary increase of 16.5% for the executive director.

Executive Director Josh Schimmel returned to the meeting.

The Commissioners discussed the fact that market adjustments have not been budgeted for this fiscal year, but that there may be flexibility if revenues are higher or certain positions are not filled. The Commissioners reviewed the salary increase with the executive director. The Commissioners and the executive director discussed the fact that market adjustments need to be made for other positions but have not been budgeted for the coming fiscal year. The Commissioners decided that the executive director should begin planning market adjustments for other personnel within the next three months in order to retain talent.

The next Commission board meeting will be held on Tuesday July 30, 2019 at 9 AM. Adjourned by unanimous vote at 10:50 AM.



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Jaimye Bartak, Secretary

