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2019

Cherry Valley Sewer District



Annual Report

June 30, 2019

Cherry Valley Sewer District
Annual Meeting
June 30, 2019

COMMISSIONERS REPORT

To the people of the Cherry Valley Sewer District:

Greetings:

Your Board of Sewer Commissioners respectfully submits their 56th Annual Report for the fiscal year ending June 30, 2019.

The Commissioners are pleased to report that 437 homes have connected to the sewer system.

The Cherry Valley Sewer District (District) operates its sewer system by discharging or **transporting** its sewerage through the City into the Upper Blackstone Waste Water Treatment Facility for **treatment** and release into the Blackstone River. This method of operation was proposed, discussed and accepted by the voters of the District as the most cost effective means of transporting and treating the sewerage generated by the District. In turn the City assesses a **transportation fee** for sewerage that flows from the District through the City to the Upper Blackstone. The Upper Blackstone assesses a **treatment fee** for that same sewerage received from the District via the City's sewer system.

The Fiscal year of 2019 has presented many challenges for the Cherry Valley Sewer District. As you may recall, In February of 2018 the Superintendent along with the office staff brought a very concerning issue to the Commissioners attention. The CVSD is in financial turmoil. Last year we began the process of seeking assistance in how to address the financial turmoil that has effected the District. The District staff has been proactive in the approach of working to solve this problem but, unfortunately it is not an easy problem to fix. Insolvency of the District is pending. We are working in cooperation with all the Districts in the Town of Leicester, the Town of Leicester, MassDEP and our state legislators to find a solution in hopes to avoid the insolvency. The discussions and working group is meeting on a monthly basis working to develop a plan for not only Cherry Valley Sewer District but the Town of Leicester as a whole. While these meetings are ongoing the District has been working on making changes to try and provide the same services while limiting the costs.

With the insolvency pending, the District has begun to take steps to understand what this means and how they can potentially avoid this from happening. The first step was for the Commissioners and Office Staff to meet with an Attorney who specializes in Bankruptcy. James Wingfield met with the board and staff and explained the process of bankruptcy and what to expect. It was made known early on in this meeting that Bankruptcy is not an option under Massachusetts General Law for a municipality. In the terms of a municipality since they cannot file for bankruptcy, the District would enter into Receivership. Once the

District were to potentially enter Receivership, a state agency would be appointed to oversee the District operations and set a rate structure in place that would bring the District back to being solvent.

Attorney Wingfield made it known to the Board that they still have a chance to change the situation as we are consulting with him prior to being at the point of complete Insolvency. The only way in which the Board can make a change to prevent Insolvency is unfortunately only accomplished through a rate increase.

The second step the Commissioners took was to contract Pioneer Consulting, a company that specializes in creating rate structures. They were able to review the financial situation and through looking at projected operations costs and changes moving forward in order to develop a rate that was some what manageable but not astronomical at the same time. After a presentation of what the different options for rates are to the Commissioners, they voted in favor of starting a rate increase effective May 1, 2019. This rate increase, why it may seem like a lot to most people is the only way for the District to stay solvent and be able to continue to provide sanitary public sewers to its 437 customers.

While town wide discussions are ongoing the staff is working diligently on their end to address issues within the system that we are aware of. Daily flow rates into Worcester is what determines our quarterly bill from the City. The flows have been greatly increasing and it is showing the staff that there is potentially a major Inflow and Infiltration (I/I) issue somewhere in the system. This means that every drop of non-sewer related water that enters the system, we in turn have to pay for. In order to minimize I/I operational staff is out inspecting and repairing manhole structures that are in poor condition and allowing water to enter into the system. One of the largest contributors to inflow is from residential sump pumps being discharged into sewer systems. We ask that if you do have a sump pump in your home that it not be connected to our system.

The District relies on one meter as the sole measuring unit of sewerage flow that goes into the City of Worcester. The device that is utilized is known as a Parshall Flume, and it has an ultrasonic reading system that detects flow. This meter was installed in late 2013/ early 2014. This is main device that determines what our bills from the City of Worcester will be. This past year staff has been aggressively working to maintain this meter and ensure that the readings are accurate. In June of last year, a 3rd party company was hired to calibrate the meter and ensure it was working properly.

The FY 2020 Budget reflects a fee increase and \$26,802 to pay for the Upper Blackstone treatment fee increase.

In April 2018, the Cherry Valley Sewer District received notification from MassDEP that the District has met the appropriate steps taken to meet the required Infiltration and Inflow (I/I) Control Plan. However, even though the District complied with the respective plan and analysis, MassDEP concluded that the District needs to take corrective action and address specific deficiencies moving forward. One of those deficiencies is to establish a sump pump ordinance, which will require all District customers to comply to and remove any and all sump pumps from discharging into the sewer system. The other items in which the District will have to take action are to finish the sewer main line camera work (CCTV) of the last 8,500 feet of main that was not in the original I/I program. We shall also submit a Geographic Information System (GIS) map to DEP. Lastly we are responsible for maintaining the inspection and maintenance program set forth by the I/I Study. Since we received this letter the District has been working to stay within compliance to MassDEP. In fall of 2018 a letter was sent out to all homeowners connected to the sewer system to advise them of sump pumps being connected to the sewer system being illegal. The district has not found any illegal connections at this time. Sump pumps connected to a sewer system is a major

contributing factor to our increased flows at the meter at the Worcester line. The District encourages everyone who has a sump connected to the system to eliminate it from the sewer system.

Throughout the course of FY'19, Operation staff conducted a yearly sewer main jetting of the majority of the system. Due to finding manhole structures in need of repair the entire system was not able to be jetted as time was needed to address the infiltration through the manhole structures. The staff has conducted system wide manhole inspections and are now focusing on addressing some of the issues that were found. There are many manholes throughout the system in need of repair. Staff is doing their best to address the issues within the scope of our operations budget.

Please know that the Commissioners and the District Staff take the issues facing the District very seriously and are trying to do anything they can to find a viable solution for the ratepayers. If you have any questions on this matter or anything else in regards to the Sewer District, please contact the District office and Staff will be able to assist you.

Respectfully submitted,

Donald G. Manseau, Chairman

Victor M. Taylor, Commissioner

Michael L. Della Cava, Sr., Commissioner

CHERRY VALLEY SEWER DISTRICT

**P.O. Box 138
Rochdale, MA 01542**

**ANNUAL MEETING
WARRANT**

To: Cheryl Balkus, District Clerk,
Cherry Valley Sewer District

Greetings:

You are hereby directed to notify the Voters of the Cherry Valley Sewer District to meet in the Town Hall Auditorium, 3 Washburn Square, Leicester, Massachusetts Thursday, and the 23rd day of May 2019 at 7:00 P.M. then and there to act on the following:

- ARTICLE 1 To elect a Moderator to preside at said meeting and for a period of one (1) year thereafter.
- ARTICLE 2 To act on reports of the District.
- ARTICLE 3 To elect a Sewer Commissioner for a term of three (3) years.
- ARTICLE 4 To see if the District will vote to raise and appropriate transfer from available funds, or otherwise provide a sum of money from any available means as may be necessary to fund various and diverse accounts in the Fiscal Year 2019 operating budget, or take any action thereon.
- ARTICLE 5 To see if the District will vote to raise and appropriate transfer from available funds, or otherwise provide a sum of money from any available means, for the operating budget for Fiscal Year 2020, to provide for the District's annual operating requirements, including but not limited to, salaries, related services, office expenses, maintenance, construction and other items related thereto: to execute any instruments or documents necessary or appropriate to accomplish said purposes: and to take any other action thereon.
- ARTICLE 6 To see if the District will vote to authorize the Board of Sewer Commissioners to establish a fund to receive and deposit fee paid pursuant to Chapter 33 of the Acts of 1998, and, from which expenditures may be made by the Board of Sewer Commissioners for legal services, administrative services and engineering services, (including but not limited to, design, plan review, and inspection of the project being constructed) in connection with ant sewer system design, review, and construction, or take any action thereon.

You are hereby directed to give notice of this Warrant by posting attested copies thereof at two public places within the limits of the Cherry Valley Sewer District and with the Clerk of the Town of Leicester seven days before time of said meeting.

Given under our hands this 11th day of April 2019.

A TRUE COPY ATTEST:

Donald G. Manseau, Chairman

Victor M. Taylor, Commissioner

Michael L. Della Cava, Commissioner

Cheryl Balkus
Clerk-Cherry Valley Sewer District

**CHERRY VALLEY SEWER DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2018 AND 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,209,820	\$ 1,497,074
Accounts Receivable	128,814	132,719
Interest Receivable	38,497	45,355
Due from Related Party	2,631	449
Prepaid Expenses	4,969	4,793
	1,384,731	1,680,390
NON-CURRENT ASSETS		
Sewer Betterments Receivable	668,888	801,550
Capital Assets, Net	5,402,417	5,818,406
	6,071,305	6,619,956
TOTAL ASSETS	\$ 7,456,036	\$ 8,300,346
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Expenses	\$ 101,420	\$ 98,148
Accrued Interest	50,714	53,585
Current Portion of Long-Term Debt	170,468	162,864
Current Portion of Obligations Under Capital Lease	934	3,480
	323,536	318,077
LONG-TERM LIABILITIES		
Obligations Under Capital Lease, Net of Current Portion	-	934
Long-Term Debt, Net of Current Portion	2,807,092	2,978,193
Deferred Revenue	668,888	801,550
	3,475,980	3,780,677
Total Long-Term Liabilities	3,475,980	3,780,677
Total Liabilities	3,799,516	4,098,754
NET ASSETS		
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	2,424,857	2,677,349
Restricted for Operations and Maintenance	632,879	997,198
	598,784	527,045
Total Net Assets	3,656,520	4,201,592
TOTAL LIABILITIES AND NET ASSETS	\$ 7,456,036	\$ 8,300,346

**CHERRY VALLEY SEWER DISTRICT
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUE		
Sewer User and Connection Fees	\$ 382,848	\$ 276,546
Sewer Betterments, Net	132,666	84,158
Tax Title	23,355	6,292
Other Revenue	1,575	450
TOTAL OPERATING REVENUE	540,444	367,446
OPERATING EXPENSES		
Depreciation	417,902	417,869
Sewerage and Disposal Fee	285,190	238,883
Service Agreement Reimbursements	175,445	175,222
Dues	68,096	56,004
Professional Services	13,669	12,212
Insurance and Surety Bond	9,297	10,683
Utilities	3,716	3,780
Other Operating Expenses	2,525	11,458
Outside Services	2,254	9,050
TOTAL OPERATING EXPENSES	978,094	935,161
OPERATING LOSS	(437,650)	(567,715)
NON-OPERATING REVENUE (EXPENSES)		
Interest Income	36,238	46,609
Inflow and Infiltration Program	-	(461)
Interest Expense	(143,660)	(137,801)
TOTAL NON-OPERATING EXPENSES	(107,422)	(91,653)
CHANGES IN NET ASSETS	(545,072)	(659,368)
NET ASSETS, BEGINNING OF YEAR	4,201,592	4,860,960
NET ASSETS, END OF YEAR	\$ 3,656,520	\$ 4,201,592

**CHERRY VALLEY SEWER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Property Owners	\$ 154,241	\$ 132,177
Received from Customers	385,097	264,376
Other Operating Revenue	5,011	5,376
Paid to Employees and Professional Contractors for Services	(177,699)	(190,738)
Paid to Suppliers for Goods and Services	(381,579)	(247,413)
Net Cash Used in Operating Activities	(14,929)	(36,222)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Income	43,096	72,425
Purchase of Equipment	(1,913)	-
Inflow and Infiltration Program	-	(461)
Principal Payments on Capital Leases	(3,480)	(3,111)
Interest Paid on Capital Leases	(322)	(693)
Principal Payments on Long Term Debt	(163,497)	(149,782)
Interest Paid on Long-Term Debt	(146,209)	(159,553)
Net Cash Used in Capital and Related Financing Activities	(272,325)	(241,175)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(287,254)	(277,397)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,497,074	1,774,471
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,209,820	\$ 1,497,074
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (437,650)	\$ (567,715)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used In) Operating Activities:		
Changes in Assets and Liabilities:		
Depreciation	417,902	417,869
Accounts Receivable	3,905	34,483
Due from Related Party	(2,182)	(449)
Due to Related Party	-	(6,466)
Prepaid Expenses	(176)	(392)
Accrued Expenses	3,272	86,448
Total Adjustments	422,721	531,493
NET CASH USED IN OPERATING ACTIVITIES	\$ (14,929)	\$ (36,222)

CHERRY VALLEY SEWER DISTRICT
Proposed FY 2020 Operating Budget

Operating Expenses	FY 19 Approved	FY 20 Proposed
Accounting	\$ 13,184.00	\$ 13,184.00
Administration	\$ 2,000.00	\$ 500.00
Allowance	\$ 20,658.00	\$ 30,000.00
Bank Fees	\$ 200.00	\$ 200.00
Consulting Fees	\$ 3,000.00	\$ 3,000.00
Electricity	\$ 7,210.00	\$ 5,000.00
Field Supplies	\$ 2,410.20	\$ 2,410.20
Heat	\$ 3,600.00	\$ 3,600.00
Insurance	\$ 12,400.00	\$ 10,000.00
Health Insurance	\$ 21,313.00	\$ 14,002.51
Legal Advertising	\$ 500.00	\$ 500.00
Legal	\$ 7,210.00	\$ 10,000.00
Miscellaneous	\$ 200.00	\$ 200.00
Mission / SCADA	\$ 3,934.60	\$ 3,934.60
Motor Vehicle Expense	\$ 4,500.00	\$ 4,500.00
Office Supply	\$ 8,400.00	\$ 8,081.00
Officers' Salary	\$ 5,092.32	\$ 5,143.00
Payroll	\$ 81,893.42	\$ 79,215.23
Pipes	\$ 2,300.00	\$ 2,300.00
Postage	\$ 3,600.00	\$ 3,600.00
Repair/Maintenance	\$ 6,365.20	\$ 6,365.20
Small Tools	\$ 1,920.00	\$ -
Sub Contracts	\$ 13,500.00	\$ 13,500.00
Technology	\$ 16,100.00	\$ 16,100.00
Telephone	\$ 3,600.00	\$ 3,390.00
WRR Assessment	\$ 1,747.00	\$ -
Total Operating Expense	\$ 246,837.74	\$ 238,725.74

COW Transport.	\$ 272,000.00	\$ 272,000.00
UBWPAD (\$26,687.25 per qtr)	\$ 79,947.00	\$ 106,749.00
Debt Service	\$ 310,028.00	\$ 310,028.00
Total Proposed Budget	\$ 908,812.74	\$ 927,502.74

CHERRY VALLEY SEWER DISTRICT

RECORD OF VOTE ANNUAL MEETING MAY 24, 2018

A meeting of the Cherry Valley Sewer District was held at the Leicester Town Hall Auditorium, 3 Washburn Square, Leicester, Massachusetts, ten (10) were in attendance, all of whom were eligible voters.

The meeting was called to order at 7:00 P.M. by Mr. Kevin Bergin, Moderator. A motion was made and seconded that the District vote to **waive the reading of the Annual Warrant**, which was in the hands of the voters.

Voted: Unanimously. All in favor. Approved.

ARTICLE 1 – MODERATOR

A motion was made and seconded that the District vote to nominate Mr. Kevin M. Bergin as moderator to preside at tonight's meeting and for a period of one (1) year hereafter.

Voted: Unanimously. All in favor. Approved.

ARTICLE 2 – REPORTS

A motion was made and seconded that the District vote to accept the Reports of the District as printed in the 2018 Annual Report, which was in the hands of the voters present.

Voted: Unanimously. All in favor. Approved.

ARTICLE 3 – ELECTION OF OFFICERS

A motion was made and seconded that the District vote to nominate Michael L. DellaCava, Sr., for the office of Commissioner for a term of three (3) years.

Voted: Unanimously. All in favor. Approved.

ARTICLE 4 – FULFILL FY 2018 BUDGET

A motion was made and seconded that the District vote to appropriate the sum of **\$100,000.00 (one hundred thousand dollars and no cents)** from available funds to revise and fund the City of Worcester Transportation/Treatment Expenses for the balance of the Fiscal Year 2018 operating budget.

Voted: Unanimously. All in favor. Approved.

ARTICLE 5 –FY 2019 BUDGET

A motion was made and seconded that the District vote to appropriate from available funds, the sum of **\$598,784.00 (Five hundred and ninety-eight thousand, seven hundred and eighty-four dollars and no cents)**, for the operating budget of Fiscal Year 2019, to provide for the District's annual operating requirements, including but not limited to, salaries, related services, office expenses, maintenance and construction. (The proposed budget was published on page 8 of the 2018 Annual Report, which was in the hands of the voters present.)

Voted: Majority. Approved.

**ARTICLE 6 – ESTABLISH FUND TO RECEIVE AND DEPOSIT FEES
SEWER SYSTEM REVIEW**

A motion was made and seconded that the District vote to authorize the Board of Sewer Commissioners to establish a fund to receive and deposit fees paid pursuant to Chapter 33 of the Acts of 1998, and, from which expenditures may be made by the Board of Sewer Commissioners for legal services, administrative services and engineering services (including but not limited to, design, plan review, and inspection of the project being constructed) in connection with any sewer system design, review, and construction.

Voted: Majority. Approved.

A motion was made and seconded that the District vote to adjourn the meeting.

Voted: Unanimously. All in favor. Approved. The meeting adjourned at 7:12 P.M.

I, Carla A. Davis, hereby certify that this is a true and accurate record of the votes taken by the votes of the Cherry Valley Sewer District at the Annual Meeting, May 24, 2018.

A TRUE COPY ATTEST:

CARLA A. DAVIS, CLERK

(SEAL)