

**CHERRY VALLEY SEWER DISTRICT
BOARD OF SEWER COMMISSIONERS' MEETING**

**MEETING MINUTES
February 13, 2020
7:00 P.M.**

- I. CALL TO ORDER Chairman Manseau called the meeting to order at 7:00 PM with the following present:

Donald Manseau, Chairman	Jennifer Wood, Treasurer
Robert H. Lemieux, Sr. Commissioner	1 Subscriber 3 Non-Subscribers
Michael DellaCava, Commissioner	
Benjamin J. Morris, Superintendent	
Cheryl Balkus, Recording Secretary	

II. APPROVAL OF MINUTES

- A. **January 9, 2020** – Commissioner Lemieux motioned to approve the minutes of January 9, 2020. Seconded by Commissioner DellaCava. All in favor. Approved.

III. FINANCE

- A. **Approve Warrants of January 16, 2020** – Commissioner DellaCava motioned to approve the warrants of January 16, 2020. Seconded by Commissioner Lemieux. All in favor. Approved.
- B. **Approve Warrants of February 6, 2020** – Commissioner Lemieux motioned to approve the warrants of February 6, 2020. Seconded by Commissioner DellaCava All in favor. Approved.
- C. **Approve the Warrants of February 13, 2020** - Commissioner Lemieux motioned to approve the warrants of February 13, 2020. Seconded by Commissioner DellaCava All in favor. Approved.
- D. **January Bank Transfer** – Commissioner DellaCava motioned to approve transfer of \$42.46 the water funds deposited to the sewer to the online collections account. Seconded by Commissioner Lemieux. All in Favor. Approved.
- E. **RCAP Solutions** - Laurie Stevens Water Compliance Specialist from RCAP. They are a Technical Provider for community water and wastewater systems. They provide help with technical, managerial and financial challenges. Technical assistance is provided for CVSD at no cost to the District, services were requested by Senator Michael Moore and initially funded through a grant from the Environmental Protection Agency. The District identified financial challenges in the repayment of USDA loaned and requested a 3rd party review. This additional work is also provided by RCAP Solutions and funded by United States Department of Agriculture Rural Development. There is a power point presentation and handouts of the result of financial analysis. Laurie informs the attending audience that the information was shown prior to each of the Commissioners individually prior to this evenings meeting. She explains per Mass General Law that the money that is received for Betterments should be kept separate and not used towards Operation Costs. \$1.5 million was taken out of the Betterment account over approximately 15 years to pay for the Operations Costs. There were 496 Betterments that were assessed for the project at \$11,911.50. The bottom line CVSD is short \$1.5 million. Commissioner Lemieux asked the other Commissioners allowed to vote to have the money paid towards the operation costs and not towards the betterment. Per Chairman Manseau it was the Commissioners fault as well as the former bookkeeper's fault. There was only one rate increase that was done in 2005 and that is why we in the

positions we are now. Commissioner Lemieux asks why the rates were not raised. Per Chairman Manseau he brought it to the board to raise the rates. With a three-person board 2 of the 3 were voted against raising the rates. The Treasurer John Graham at that time said with the CD he could invest it to pay it. Per Commissioner DellaCava felt that the way the former Treasurer had explained it that it would work and agreed to it and did not want to affect the rate payers. Bottom line Commissioner DellaCava expresses the fault would be to the prior Treasurer John Graham. Commissioner Lemieux asked the Board did they take into consideration what operating costs were and what revenue was coming in. Per Chairman Manseau, Yes and the rates should have been increased to stay in line. Per Treasurer Wood the money received from Betterments should have been kept separate and not used as part of the Operating Budget. Commissioner Lemieux asked if records found that this is the way the books were run. Per Laurie of RCAP Yes, an audit was done each year to identify. We only have audit reports and no other reports to back up the data. Non-Subscriber Gregory Buteau was not aware of the dire straits of the Sewer District until two years ago. From his recollection he has been involved with attending meetings since 2010 and it was not brought up every year. The auditor makes a recommendation and the last report came out very strong indicating that the Cherry Valley Sewer District was in very poor shape. Commissioner Lemieux asks Commissioner DellaCava and Chairman Manseau what the solution is to fix this. Per Chairman Manseau the 431 active accounts will need to pay the deficit. Per the RCAP presentation the following is provided:

Magnitude of the problem

\$1,576,993 from debt reserve account used for the operating budget
\$732,950 Interest Shortage (projected min.) over the life of the loans
\$157,000 Annual Deficit betterment P&I collected verses amount due
Remaining Life of the loans – 10 years

Problems Identified:

Operating Budget – running at a deficit since 2008
Not following MGL Ptl, Title VII, Chp. 44 Sec 53J. This requires P&I money be separated from operating budget (this would have identified the above deficit)
Rates not increased for 10years 2006 to 2016
Fee increases from the City of Worcester
Fee increases from the Upper Blackstone
Debt repayment money was used to supplement operating budget for 15 of the past 20 years.
Supplementing the operating budget (above) reduced the accrued interest (on 1.5 Million) further reducing the funds available to pay loan
Interest did not accrue for properties that selected 10 yr. 20 yr. or 30 yr. plans (\$670,000)
Betterment payoffs, due to home sales reduce the interest realized

Solutions Investigated:

Refinancing through Unibank
Requested loan forgiveness from USDA
Investigated refinancing through SRF (State Revolving Funds)
Refinancing through USDA* (involves additional borrowing)
Proposed Interest only payment for a year
Requested City of Worcester to reduce fees
Requested Upper Blackstone to reduce fees
Reducing I&I (inflow and Infiltration)
Soliciting grants and funding (Received additional grants for GIS locating)

Requesting rate relief from the State (\$500)

Raising sewer rates

(there is a list of additional efforts)

Recommendations:

No more withdrawals from the debt reserve (betterment) account

Evaluate the option from USDA

Continue the I/I work to remove extraneous sewer from the system

Have separate residential verses non-residential rates

Increase sewer rates

Mandate connections to sewer when house is sold

Betterment Payments (Town to District) should be monthly

- F. **USDA** – Per Jennifer Sharrow Loan Specialist for USDA oversees the loans. She was contacted in the Fall and informed that CVSD was approximately a year and a half away from defaulting on the loan payments with the Agency. She said we are not alone with this there are others out there. CVSD has three loans with the Agency.

Loan 1: Principal and Interest \$922,834.25

Final Payoff 4/4/2030

Payment \$105,963.00 due on 4/4

Interest Rate: 4.75%

Loan 3: Principal & Interest of \$1,085,019.39

Final Payoff 12/18/2030

Payment of \$128,059,00 due on 12/18

Interest Rate 4.625%

Loan 5: Principal and Interest \$799,541.30

Final Payoff 3/25/2033

Payment of \$76,006.00 due 3/25

Interest Rate: 4.625%

They have been reviewing the information and speaking with the National Office. She explains that smaller Municipal Districts are unique and typically it is the town running it. When the debt was taken part of the closing process is a Sewer Bond had to be taken out. This is a legal contract to provide the monies and pay it back. CVSD promised that the District shall maintain rates and charges for the use of the District's Sewer System in an amount which, together with other available funds, shall be sufficient **to pay all costs of operating and maintain such system**, and the entire principal and interest on the loans and all other indebtedness of the District issued for municipal sewer purposes, as the same becomes due. The Bond shall nevertheless be a general obligation of the District, payable from any of its revenues, including revenues derived from ad valoren taxes levied in accordance with the law upon all the property within the District which is lawfully subject to such taxes.

She said the bottom line, is that the rates need to be raised. If the debt is not paid it then moves up to legal. If the District defaults, enforcement of the bond would result in the rates being raised, but the option presented in the letter would then be off the table. She said that the interest rates of the original loans are higher than rates are now. They do not have the powers to reduce the interest rates. The work around in some of the

debt can be refinanced by doing a project That option is for a new project that would fix the I&I issues of the District and provide for the refinancing of some the outstanding USDA debt.

Based on the information provided by the District, the average cost of I&I issues has been approximately \$125,000 per year. (This analysis does not factor in precipitation) With conservative estimates, a construction project to fix those issues, even just fixing half of those problems, would save the District \$62,500 a year. (It should be noted that identification of I/I issues would be an extensive and expensive study) Instead of paying that a year in higher costs, that money instead would become the payment on the new loan. Using the current interest rate and forty-year term, the District could afford a loan of \$1,600,000 for the project. That number does not include any grant dollars, which CVSD has received in all applications with the Agency. In order to refinance the USDA debt, (1 of the 3 loans) that debt, must be a secondary part, or less than 50% of the new loan after grant portion is deducted.

Assuming a \$1,600,000 new loan for I&I issues, the Agency could then refinance about \$800,000 of our outstanding debt. (only 1 of the existing loans can be refinanced) To be conservative with just refinancing Loan 3, with \$1,085,019.39 of debt remaining and some rounding:

New Loan: \$2,685,000.00

Current Loan 03 Payment: \$128,059

½ I&I cost: \$62,500

Current Payment/ Costs: \$190,559

New Annual Loan Payment: \$110,00

Savings: \$80,559

However, CVSD still needs to raise the rates. Commissioner Lemieux asks Jennifer Sharrow why we can't refinance and do all 3. Per Jennifer Sharrow you can if you borrow enough to cover all 3 and the amount would only be 50%. In addition to taking the loan, grant money would also be available. Several parties are involved in looking at this to help the District out, **and the rates need to increase.**

Commissioner DellaCava questioned if part of the \$200,000.00 grant the town working group received could be used or to help. Per Town Administrator Genereux he does not think so. With the seven Districts he needs to investigate it further.

Commissioner Lemieux asked if CVSD is receiving the betterment payments from the town in a timely manner. Per Treasurer Wood the town collected betterment money in November, we just received a check from the town. A Subscriber and Commissioner Lemieux asked does the Town then owe us for all the interest that was collected over the years and held. Per Town Administrator Genereux he will need to follow up on this and get back to the Commissioners.

Laurie Stevens then reviews proposed three alternative rates– what the rates need to be to meet the budget.

Corrective Actions:

Raise the rates May 2020

Conduct study for FY22 rate increase

Continue to seek grant options

Continue to address I/I issues

Coordinate with USDA for potential refinancing

Per Commissioner Lemieux basically the only way to meet the operating budget and the USDA loans is to raise the rates with Alternative 3. Further discussion will need to take place to determine next actions.

In 2018 the City of Worcester billed for 6,805,747 cubic feet. CVSD billed the Subscribers 2,578,650 cf.

In 2019 the City of Worcester billed for 4,974,323 cf. CVSD billed the Subscribers 2,324,307cf. There was discussion that with the rate increase last year Subscribers conserve which drops them into a lower rate structure less revenues.

The Board thanks RCAP for their hard work. Laurie gives an invitation to the Board and Staff for training that will be available the end of March. Commissioner Lemieux leaves the meeting.

G. **Treasurer Report** – Per Treasurer Wood for the month of Jan 2020

CVSD Revenue \$44,433.49

Expenses \$70,931.77

Month loss (\$26,498.28)

YTD Revenue: \$293,305.60

YTD Expenses: \$328,469.64

YTD Loss: \$35,164.04

Additional information of this report can be viewed @ www.cvrwd.com >Sewer District Home Page>Reports-CVSD

Per Treasurer Wood, Commissioner Lemieux had requested the treasurer report be reformatted and asked Commissioner DellaCava & Chairman Manseau if the reformat of the report was acceptable to them. They both agreed that it was acceptable.

H. **Draft Budget** – Per Superintendent Morris there are decreases and increases. There is decrease in Allowance, a slight increase in Field Supplies, an increase in insurances. This amount will have a definitive amount of the increase in insurance by the end of the month. Vehicles slightly went up because there is a vehicle that is requiring more repairs. Increase because of software for the GIS if we get it. Telephones decreased because we changed carriers. City of Worcester was averaged with the last 5 months of bills and seeing \$22,000.00 reduction. This is a Draft Budget and will have the factual by end of month and then can look at the rates.

IV. ADMINISTRATION

A. **Sewer Rates** – Chairman Manseau to be tabled to the next meeting.

V. OPERATIONS

A. **Superintendent's Report** – Per Superintendent Morris there were a few blockages in the meter pit with a couple of more bricks as a result of residual from the Route 9 project this summer. Other than that, rest of work being done with the Treasurer and RCAP.

VI. COMMUNICATIONS

A. **UBWPAD Update** – Per Chairman Manseau UBWPAD budget was approved. The increase for the CVSD District for this year is 3%.

VII. PERSONNEL -

VIII. DATE OF NEXT MEETING

A. **Approval of Next Meeting Date** - Commissioner DellaCava motioned to approve the next meeting March 12, 2020 at 7:00 P.M at 148 Henshaw St. Seconded by Chairman Manseau. All in favor. Approved.

IX. ADJOURNMENT – Commissioner DellaCava motioned to adjourn the meeting. Seconded by Chairman Manseau. All in favor. Approved. Meeting adjourned at 9:21 PM.