

Members Attending: T. Anderson, S. Beardsley, J. Deming, E. Gott, M. McKeown, T. Saunders

Excused: P. Brooks

Absent:

Others attending: M. Baines (Executive Director), M. Kosakowski (Director of Operations), R. Lewis (Principal Account Clerk), B. Harris (Account Clerk/Typist), E. Wies (Clark Patterson Lee), J. Campbell (Kruk & Campbell, P.C.), R. Shepard, CPA (Bonadio & Co., LLP)

Approval of Agenda

Motion: *M. McKeown moved and S. Beardsley seconded to approve the agenda as presented. Carried unanimously.*

Approval of Minutes – February 27, 2019 Regular Board Meeting

Motion: *E. Gott moved and J. Deming seconded to approve regular board meeting minutes dated February 27, 2019. Carried unanimously.*

Privilege of the Floor

Audit Rept/Presentation: Randy Shepard, CPA (Bonadio & Co., LLP)

R. Shepard reviewed the draft audited financial statements for the years ended in December 31, 2018 and 2017, with the Board. Financial highlights that were discussed include:

- Net position increased from 2017 by \$2,821,427, resulting in a total 2018 net position of \$32,354,997.
- 2018 Operating Revenues increased over 2017 by \$27,523, or 0.8%.
- 2018 Operating Expenses increased over 2017 by \$101,074, or 2.8%.

R. Shepard noted that with the DOCCS water supply project starting to wind down in 2018, non-operating revenue and capital contributions decreased approximately \$2,282,000. Total liabilities increased approximately \$398,000 from 2017 to 2018. This was the result of borrowing on the bond anticipation note payable in the amount of \$653,120 related to the NYSEFC funding of the Lakeville Wastewater Treatment Plant Upgrades project, offset by a decrease in accounts payable and total bonds payable. R. Shepard noted that the Statement of Net Position includes a line item entitled “Deferred Inflows of Resources, Contributed Capital” in the amount of \$318,000, which relates to the agreements with Sparta Farms, LP and Dairy Knoll LLC for upsizing infrastructure to provide additional system capacity to the two farms. Once this infrastructure becomes operational, it will be recognized as capital contributions revenue. R. Shepard indicated that a subsequent event footnote had been included in the notes to the financial statements regarding the termination of the employee lease agreement with Livingston County, effective December 31, 2018, and the subsequent transfer of employees to LCWSA on January 1, 2019.

R. Shepard also reviewed the summary of adjustments totaling \$886,049, which consists of both audit adjustments (\$889,161) and client adjustments (-\$3,112). The largest audit adjustments were related to including revenue and receivable for the DOCCS project (\$962,328) and recording additional depreciation (-\$82,650). R. Shepard did note on the top of page 2 of the required communications letter that an uncorrected misstatement was also identified, related to prior year expenses for contracted employees which was charged to expense in the current year. The effect of this misstatement was an overstatement of the expense for contracted employees and an overstatement of beginning net position. Management has determined that the effect is

immaterial to the financial statements taken as a whole and that net position at December 31, 2018, is properly stated.

In conclusion, R. Shepard indicated that it is Bonadio & Co's opinion, that the audited financial statements present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2018 and 2017, and the changes in its financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Motion: S. Beardsley moved and M. McKeown seconded to approve the audit as presented and to direct LCWSA staff to submit the audit to the NYS Authorities Budget Office (ABO) to meet the submittal deadline of April 1, 2019. Carried unanimously.

Financial report: R. Lewis reviewed the Financial report with the Board (on file with Secretary). R. Lewis noted that she had emailed out a year-end (unaudited) summary of revenues and expenditures for 2018 after the February 2019 Board meeting. In reviewing the detailed breakdown of revenues and expenditures, R. Lewis noted that Livingston County had not yet billed LCWSA for indirect charges (i.e. Liv Co Public Works/LCWSA's proportionate share of charges for County support services) for 2018, which is typically \$25,000. In consultation with R. Shepard, the Board consensus was that the effect to the 2018 financial statement would be immaterial and therefore, it would be acceptable to make this a 2019 expense.

R. Lewis also indicated that although there has been an increase in our interest rates on certain accounts with Five Star Bank, LCWSA staff will be working on the development of a banking RFP.

Motion: E. Gott moved and M. McKeown seconded to approve the Financial Report. Carried unanimously.

R. Shepard departed the meeting.

Other item(s) discussed under the financial portion of the meeting:

PARIS Submittals (Annual Report, Procurement Report, Investment Report)

R. Lewis and M. Baines reviewed upcoming submittals to the ABO that are due by April 1, 2019 and are to be submitted online through the Public Authorities Reporting Information System (PARIS). M. Baines highlighted any questions where the answers for 2018 differ from those submitted in 2017. The only change was related to whether the Authority issued any debt during the report period – in 2017, the answer was “No”, and in 2018, the answer was “Yes” due to the issuance of the short-term note with EFC for the Lakeville WWTP Upgrades project. There was also a brief discussion related to the Investment Report information to be submitted. Although the LCWSA does not current have any investments that trigger the requirement of an independent audit, per the ABO a report must still be prepared that indicates that the “Authority does not own any investments”.

Motion: M. McKeown moved and T. Saunders seconded to approve submittal of the Annual Report, Procurement Report, and Investment Report information as presented, to the ABO by April 1, 2019. Carried unanimously.

Annual Internal Controls Self-Assessment (Year 2018)

M. Baines reviewed the memorandum (on file with Secretary) that was prepared by management level staff (M. Baines, M. Kosakowski, and R. Lewis) summarizing the internal controls self-assessment that was performed for year 2018. Based on a review of major business functions, management staff believe that while the existing system of internal controls may be “adequate” with sufficient oversight provided at both the board and management level, there are specific areas within the organization where improvements could be made to further promote efficient and effective operations, minimize the risk of inappropriate or unauthorized activities, etc. The Board reviewed those recommendations that were included the memorandum. M. Baines requested

that the Board acknowledge that an annual assessment of the effectiveness of the LCWSA's internal controls was completed for 2018.

Motion: M. McKeown moved and J. Deming seconded to approve the following: "This statement certifies that the Livingston County Water & Sewer Authority followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending December 31, 2018. To the extent that deficiencies were identified, the Authority has developed corrective action plans to reduce any corresponding risk". Carried unanimously.

Bills: R. Lewis reviewed the monthly bills.

Motion: S. Beardsley moved and M. McKeown seconded to approve paying Total Operating & Projects expenditures of \$884,201.20 as follows: Operating Expenditures in an amount not to exceed \$73,151.52; DOCCS Project Expenditures in an amount not to exceed \$38,736.07; Lakeville WWTP Upgrades Project expenditures in an amount not to exceed \$754,267.11; and Other Projects in an amount not to exceed \$18,046.50. Carried unanimously.

Motion: T. Saunders moved and J. Deming seconded to authorize payment to Hewitt-Young Electric, LLC in the amount of \$50,397.50, for Lakeville WWTP Upgrades project, subject to NYSEFC approval of its MWBE Utilization Plan. Carried unanimously.

Motion: E. Gott moved and M. McKeown seconded to approve paying the bills for Utilities & Miscellaneous expenditures in an amount not to exceed \$129,485.42. Carried unanimously.

Operations and Capital Report

M. Kosakowski reviewed the Operations and Capital Reports with the Board (on file with Secretary). The following item(s) were further discussed by the Board:

- **Water Sampling and Testing** – The Livingston County Department of Health (LCDOH) has notified LCWSA of an exceedance in the maximum contaminant level (MCL) for Total Trihalomethanes (TTHM) in the 1st Quarter of 2019, in the LCWSA Consolidated Systems Public Water Supply (PWS ID NY2501019; Water Source: City of Rochester – Hemlock Lake). This will require LCWSA to notify the public, in accordance with NYSDOH requirements. This public notification will involve public notice in the Pennysaver, with a direct website link to the full NYSDOH notification on LCWSA's webpage.
- **DOCCS Water Supply Project – Notifications re: Water Service Hook-ups**
M. Kosakowski informed the Board that two (2) taps have been completed on the DOCCS line and eleven (11) taps have been scheduled.

Other Business

DOCCS Water Supply Project – Contract No. 5 (M.W. Controls Service, Inc.), Change Order No. 4

E. Wies circulated copies of proposed Change Order No. 4 (on file with Secretary) to the Board for review and approval. This proposed change order involves (1) additional telemetry, controls and SCADA work in the amount of \$5,000, and (2) a final quantity adjustment (i.e. decrease) in the field change allowance of -\$4,451.01. This results in a net increase of \$548.99 to Contract No. 5.

Motion: E. Gott moved and J. Deming seconded to approve Change Order No. 4 (Additional Telemetry/ Controls/SCADA work & Final Quantity Adjustment) to DOCCS Water Supply Project, Contract No. 5, in the amount of \$548.99. Carried unanimously.

Draft Operation and Maintenance Agreement – LCWSA & Conesus Lake Compact

J. Campbell indicated that the agreement to perform certain operation and maintenance services with respect to the flood gates in Conesus Creek at the outlet of Conesus Lake, was last signed in 2016 and covered the years: 2016, 2017, and 2018. A new agreement will need to be signed to cover the next three (3) years. J. Campbell presented a draft agreement and noted the following minor revisions: (1) Commencement date has been changed to January 1, instead of March 1, which will provide greater clarity when sending out annual invoices to each of the towns and (2) “Term and Termination” paragraph has been further clarified that the initial term of the agreement is for one year, and the agreement shall automatically renew for up to two (2) successive one-year terms. S. Beardsley noted that a minor change should be made to Section 3.2 and the words “as set forth below” should be changed to “as set forth above”.

Motion: S. Beardsley moved and J. Deming seconded to approve the LCWSA Chairman to sign the Operation and Maintenance Agreement between LCWSA and Conesus Lake Compact (covering Years 2019, 2020, 2021), with the necessary change to Section 3.2, and to forward the agreement to the Conesus Lake Compact for execution. Carried unanimously.

Lakeville Wastewater Treatment Plant (SPDES NY0032328) – Consent Order Update

E. Wies provided a brief update on Compliance Directive IIIH, which requires that LCWSA submit corrected DMRs and Facility Operating Reports going back at least three years. E. Wies indicated that CPL has completed its review of all DMRs and Facility Operating Reports dating back to March 2015, which is the date that Yaws Environmental Process Control, Inc., took over operation of the Lakeville WWTP. Copies of revised DMRs and Facility Operating Reports from March 2015 through November 2018 will be sent to DEC by the April 1, 2019 deadline. No revisions/corrections were needed to reports submitted after November 2018.

E. Wies and J. Campbell reviewed with the Board those compliance directives that are due by May 22, 2019:

- *IIB. [...] Respondent shall submit to the Department a Report to address infiltration and inflow (I & I) issues not addressed above, within sixteen (16) weeks of the effective date of this Order. This Report shall contain at least the following items that are available or, if not, when such items will be developed, collected or performed: a map of the collection system; rainfall monitoring data; groundwater monitoring data (if it is available); results of any metering performed (where and when); analysis and results of any video inspections, smoke testing; previous three years of system inspections and analysis; how cross connections for roof drains, sump pumps and other sources of stormwater will be discovered, documented and disconnected; an estimation in the reduction in flow received at the Facility due to these measures; a three-year schedule of projects expected to be completed, including a budget [...].*
- *IIF. Respondent shall define "normal sewage" in its Sewer Use Ordinance (SUO) and use those same values in all of Respondent's Significant Industrial User (SIU) permits, consistent with US EPA guidelines. The following link provides a model of sewer use laws: <http://www.dec.nv.gov/docs/water/pdf/modelseweruselaw.pdf>. The revised SUO should be submitted to the Department within sixteen (16) weeks of the effective date of this Consent Order for its review and approval. The Department's review and approval shall be coordinated between Respondent and the Department in order to be completed within eight (8) weeks of submittal to the Department. Respondent will also provide the Department with proof that the revised SUO has been adopted by Respondent within 30 days following the completion of the Department's review.*

Governance Committee Report – March 18, 2019 Work Session

M. Baines reported that a work session was held on March 18, 2019 with the Governance Committee, comprising J. Deming, E. Gott, and M. McKeown (agenda on file with Secretary). The primary purpose of the work session was to discuss both current and future staffing needs, succession planning, and the potential creation of new positions that will provide greater opportunity for career progression within the organization.

Communications

- *March 1, 2019 Notification Letter from NYSDEC re: New Requirement for Disinfection of Sewage Treatment Plant Effluent, SPDES Permit NY 024 7227 (Groveland Station Sewage Treatment Plant) Letter was circulated to Board members for informational purposes. The compliance schedule included in the letter requires that engineering documents be submitted by 2022, and that the project be operational by 2024. The intent is to pursue the same funding source (NYSDEC Water Quality Improvement Project (WQIP) Program) for the Groveland Station treatment plant disinfection project, as was done back in 2018 for the Lakeville WWTP disinfection project.*

Adjourn: Motion: J. Deming moved and E. Gott seconded to adjourn the Board meeting at 9:57 am. Carried unanimously.