

Village District of Eastman
Commissioners' Meeting, April 3, 2013
Public Session, Final Minutes

In attendance: Commissioner William Sullivan, Commissioner Duncan Wood, Commissioner Robert Fairweather, District Manager William Weber and Office Manager Amy Lewis.

Guests: Phil Schaefer, Robert Logan, Cynthia Rand and Susan Kessler, Eastman residents.

Commissioner Sullivan called the meeting to order at 8:03AM.

Commissioner Fairweather was sworn in for a new three-year term by OM Lewis.

DM Weber passed out the meeting's agenda; as discussed at the March 20 meeting, the agenda for this meeting will be limited to the attached pre-closing checklist for the transfer of ESC interests to the VDE.

Commissioner Fairweather asked if we should target June 28 or July 1, 2013 as a potential closing date, as June 30 falls on a Sunday. DM Weber said that he had already changed some dates to reflect June 28.

The tasks on the checklist were reviewed to determine who would be best suited to address them:

1. Due Diligence: this is an ongoing project between the VDE and ESC.
2. DES Discharge Permit: Brian Harding of the ESC is handling this with the DES representative.
3. Franchise Dissolution: Commissioner Sullivan suggested Brad Moses, currently president of the ESC. Mr. Moses has not yet returned to the area for the summer; Commissioner Fairweather suggested that Mr. Harding work with ESC attorney Jay Boynton.
4. NHDRA: DM Weber will work with the DRA agent to set up the VDE as a dual-purpose district. This involves structuring a proper account numbering system to fulfill the DRA requirements.
5. Financial: Commissioner Sullivan spoke with DM Weber about contracting an independent audit for the ESC. VDE auditor Greg Colby has reviewed the ESC financials already, and indicated that there really wasn't justification for a full-blown audit. Commissioner Fairweather suggested requesting a letter from the VDE auditor outlining what was done and asking for his opinion and any comments. Commissioner Wood agreed, and added that to be fair to Commissioner Sullivan we should determine if there is a firm in the area that would be willing to review the financial statements. Mr. Logan asked that the VDE board look deeper into the financials of the ESC; Commissioner Wood reiterated that the board is going forward with this knowing full well what the ESC system is going to require based on prior reports and studies. One of the first items to be done once the VDE assumes the full responsibility of the ESC will be funding CIP accounts for the capital improvements needed, as outlined in recent studies. With regard to the independent audit desired by Commissioner Sullivan, he will contact the VDE counsel for suggestions of firms in the area. DM Weber will contact Greg Colby of Plodzik & Sanderson for a copy of the evaluation already performed.
6. Trust Funds: three new funds for the wastewater operations will be created. OM Lewis will work with the Trustees to complete this.

7. Legal: DM Weber will work with Gardner Fulton & Waugh on the legalities involved in taking over the ESC interests, with regard to land leases, rights of way and other easements.
8. Banking: the district's bank representative will issue a commitment letter regarding the \$280,000 loan refinance. DM Weber and Treasurer Wright will handle this. Treasurer Wright will also need to authorize a new banking account at Lake Sunapee Bank for the wastewater operations.
9. Insurance: OM Lewis will transfer the general/commercial insurance as the closing date approaches. LGC will provide a binder to cover the transfer. The ESC policy renewed April 1 and will remain in effect until the transfer is finalized. Commissioner Wood asked that an overlap in coverage be ensured as we get closer to the closing.

Brian Harding of the ESC joined the meeting at 9:00. He told the board that he hopes to have the updated discharge permit by May 1st. He also said that the ESC attorney met last week with the PUC to gather information. Once the paperwork regarding the transfer of ESC assets to the VDE is provided to the PUC, it will be up to the PUC to decide how/when to respond. If there is a hearing, it will be published in a state-wide paper. The transfer will not occur until approval from the PUC is received. Commissioner Fairweather asked about easements; Mr. Harding said that all easements will transfer to the VDE. He will also clarify that Clearwater Drive is no longer a private road.

10. Operations:

- a. Water Systems Operators (WSO) is currently under contract with the ESC to provide wastewater services, although the current 2013 contract has not been executed. Mr. Harding said that there is a concern regarding the number of visits per week proposed in the contract; with remote communication ability, visits can be reduced from seven per week to four, but the new contract price does not appear to reflect enough of a change in ratio with the reduced visits. The 2013 contract with WSO can be written so that it is transferable to the VDE. DM Weber and Mr. Harding will discuss this further. Commissioner Wood asked Mr. Harding to request of Joe Damour, WSO, that he attend the next meeting to discuss the deferred improvements that now need attention. Mr. Harding referenced a 2008 report by CLD that outlined the capital improvements necessary for the system in that many of the smaller items have been addressed. Commissioner Wood asked that Mr. Harding also request of Mr. Damour the written results of the inspection performed last year by WSO.
 - b. Southworth Milton has already been contacted to move the maintenance contracts for the ESC generators under the VDE account. There will be no issue with this, as both the ESC and VDE share the same company representative.
11. Administrative: OM Lewis will work with Gayle Burns of the ECA/ESC when the time comes to transfer both vendor accounts and customer information into the VDE billing systems. Commissioner Fairweather asked that any time spent on wastewater services post-closing be tracked in the office; OM Lewis said that it was currently being done and could continue.

DM Weber will create a post-closing checklist for review.

Commissioner Wood asked what would happen with any tax liabilities post-closing. The ESC will have to remain "open" in order to collect any outstanding account receivables. Mr. Harding said that he would work with the ESC attorney and auditor to satisfy any tax requirements; a loss carryover would become an asset of the VDE, as would any refund. Receivables collected post-closing would be transferred to the VDE as well.

Commissioner Wood asked what would happen with the Town of Grantham, as the ESC currently pays property tax on structures through the ECA. If the VDE owns the buildings, the property tax will go away. DM Weber has spoken with the Grantham tax clerk regarding the tax liability in the fall, when the second tax bills go out. If this transaction closed in October, there would be no property tax implication to carry.

DM Weber said that he spoke with Attorney Waugh after the Annual Meeting and he is waiting for the go-ahead from the VDE to continue work on the Purchase & Sale agreement. Until we have an approval from the PUC, we can't have a target date for closing. Attorney Waugh indicated that the responsibility for producing the P&S could be "split;" ESC counsel Al Cirone has indicated that he is willing to work with Atty. Waugh. DM Weber asked if the PUC would provide a Memorandum of Agreement to the ESC; Mr. Harding said that the PUC will not act on anything until the formal petition is submitted with proper documentation.

Commissioner Wood asked Mr. Harding for any updates on the Heidenblad property. Mr. Harding said that the ESC has not engaged Underwood Associates for any further work; a tentative closing on the property purchase is scheduled for next week.

Discussion regarding a Sewer Advisory Board was begun. Commissioner Sullivan said that he would like to see three individuals on the board, but those three people should not be part of any ECA board. DM Weber said that current ESC board members Brad Moses and Jim Donoghue have both indicated that they would be willing to serve on the advisory board for the VDE. Commissioner Wood would like to see a third person who has some experience with the system, but not necessarily been active in any decision-making for the system. As it can be difficult to find volunteers, it might be something available to the community as a whole, and not just sewer users. Commissioner Sullivan would like all three members to be on the sewer system. Commissioner Wood asked that office staff work with Lorie McClory to send out an appeal for people willing to serve on a sewer advisory committee. OM Lewis would get general background info of interested individuals and relay to the VDE board.

With regard to the property purchase, Commissioner Wood would like to wait until the updated discharge permit has been received before engaging Underwood Associates to do any testing on the property. Any soil tests will have to be done before the next frost; if the transition occurs before the fall, the VDE can order the tests to avoid the ESC having to apply to the PUC for capital expense reimbursement. If the ESC were to order the tests, the PUC would require a summary of proposed work by the engineer; this would also need to be submitted to DES. Commissioner Wood asked that at the April ESC meeting, the ESC board approve the soil test sooner rather than later so the process can start.

This way we won't miss out using the summer months for any necessary testing. Mr. Harding said the next ESC meeting is April 16 at 2:00PM.

Commissioner Fairweather said that he would be attending the ECA council meeting scheduled for April 6, for information purposes only.

A VDE Commissioners' Meeting was scheduled for April 29, 8:00AM to further discuss going forward with the ESC acquisition.

Mr. Logan asked when the VDE board would provide a formal answer to the questions he had outlined in February. Commissioner Fairweather said this information would be forwarded to him by the close of business on Monday, April 8. Specifically, Mr. Logan is questioning the reference in the Annual Report to the GASB45 non-compliance. Commissioner Fairweather said that the GASB45 relates to post-employment benefits. There are two individuals retired from the district who pay 100% of post-employment insurance premiums, but because they are part of the insurance group, the prior employees influence the rate pool to which the VDE belongs. This is not limited to the VDE; municipalities across the state are having the same issue. DM Weber said there are no penalties to not having an actuary address the non-compliance; the VDE is so small that it would not make sense financially to have it done. There are programs available to self-evaluate, which could be an option in the future. Additionally, the bank does not require the VDE to have an actuarial review done. Commissioner Wood added that the board did not request the auditor to revise the statement because the auditor came to a meeting to explain why it was written the way it was, and that explanation was satisfactory. The option exists to revisit the issue next spring.

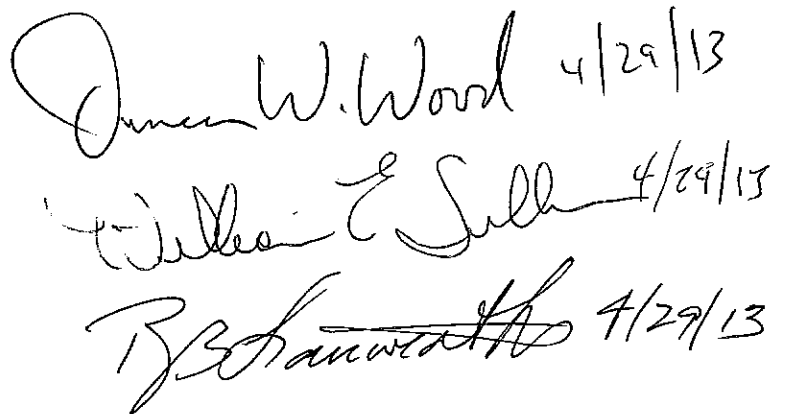
DM Weber provided the board with review copies of the MS32 form to be filed with DRA. There were no questions raised and the form was signed by the officials. We do not yet have the final minutes from the Annual Meeting, but all other required forms will be submitted to DRA on time.

With no other business, Commissioner Fairweather moved to adjourn the meeting at 10:21. Commissioner Wood seconded; the motion passed unanimously.

Respectfully submitted,



Amy Lewis
Office Manager



James W. Wood 4/29/13
William E. Sullivan 4/29/13
B. Schaworth 4/29/13