

As voted by the Board of Trustees and in accordance with the notice of the meeting, the monthly Workshop Meeting of the Board of Trustees of the Portland Water District was held in the Nixon Training Center at the general offices of the District, 225 Douglass Street, Portland, Maine, and via Zoom, on Monday, February 12, 2024. In attendance from staff were S. Garrison, C. Crovo, D. Kane, S. Firmin, J. Wallace, J. Hudak, G. Pellerin, D. Katsiaticas, and M. Demers.

All Trustees were present except Trustees Beck and Cote. President Lunt opened the workshop meeting at 6:40 p.m.

1. Statutory/Legal Provisions Related to Bonding and PWD Charter Elements

Staff discussed potential statutory changes, including changes to the PWD charter, to optimize PWD’s bond credit rating and other potential PWD charter changes.

Mr. Kane started the presentation by explaining bonding. Twenty years ago, the Board decided to replace more infrastructure as it was starting to age. At that point, the District started issuing bonds each year to finance water main replacement. The District has over \$100 million in debt from the last 20 years, with annual principal and interest payments of \$12 million each year. Staff was asked roughly nine months ago by General Manager, Seth Garrison, what could be done to reduce the \$12 million in bond payments each year. One way is to improve the District’s bond rating. Bond ratings directly impact interest rates and the cost of borrowing. Moving from Aa/AA (PWD’s current rating) to Aaa/AAA can reduce borrowing costs; .09% to .25% lower interest rates generating potential savings of \$80,000-\$230,000 on a \$6M bond.

Agencies Standard & Poor’s/Moody’s determine bond rating, based on several factors such as:

- System Characteristics: Asset Conditions, System Size & Area Wealth
- Financial Strength: Cash Balance, Debt Service Coverage, Debt to Revenue
- Management: Rate Management, Regulatory Compliance, & Capital Planning
- Legal Provisions: Assure Bond Payments will be Made

Rating agencies indicate PWD has “weak legal provisions” because there is a lag between when bondholders would be paid in the event of a default. Weak legal provisions are mentioned numerous times in PWD’s rating materials, indicating more weight on the factor.

In the event of a default, it would be up to one year before municipalities provide the money to pay bondholders. Addressing “weak legal provisions” doesn’t guarantee a move to a higher bond rating.

There are three apparent ways to address weak legal provisions:

- Change to state law - title 35-A §6103
- PWD Charter change
- Use of indenture agreements

Legal	§6103 After default utility can issue a tax warrant to municipality (one year lag to pay bond holders)	§6103 Before default utility obtains short-term financing when default is imminent to be paid by tax warrant issued to the municipality	Addresses specific ‘weak legal’ comment Requires legislative change
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Donna Katsiaficas, Corporate Counsel, explained the PWD Charter and the implication of potential changes to it.

- PWD is created by the Legislature, and any amendments to the Charter are approved by the Legislature
- Original Charter was in 1907, but has been amended many times
- Last recodification of the complete charter was in 1975
- Last amendment to the Charter was in 2009
- Charter gives PWD its powers and authority, establishes its territory of service, and defines what we can do and how

Should the Board decide to go the route of changes to the PWD Charter, there are a few areas that should strongly be considered for changing:

- Remove Chaffin Pond as a water source (Section 2A). PWD sold Chaffin Pond to Windham in 2011 and no longer has rights to the pond.
- Adjust the minimum fine for violations of wastewater rules/law by making the maximum fine \$10,000 per day of violation. (Section 16)
 - At present, the maximum fine is \$2,000 per day of violation. This change would bring the charter into compliance with state law, which allows for a \$10,000 per day fine for violations.
- Removal of the payment in lieu of taxes to Gorham in the amount of \$2,150 (Section 20)
 - Payment first appeared in the 1975 version of the charter; apparently for water assets the District took over from Gorham (possibly in 1917)
- Trustee vacancies
 - Now when there is a vacancy on the Board, a special election must be conducted with the new trustee fulfilling the unexpired term until the next regular election.
 - This leads to costs to PWD and in instances where the unexpired term is less than one year; leads to potential difficulty in recruiting candidates or requiring the person who wins the special election to run again only months later.
 - Possible solutions - Trustee elected at a special election where the term is less than 1 year will automatically serve an additional complete term (5 years); or
 - Appointment by municipality(ies) of an individual to serve the unexpired term
- Other potential changes
 - Define a methodology for apportioning trustees based on the population of each community served, so changes could be made as PWD grows without going to the legislature
 - Allow PWD to add members without going back to the legislature

Ms. Katsiaficas discussed the considerations and the process of changing the Charter with the Board.

The Trustees discussed the options presented to them and unanimously agreed that they did not want to address Charter changes at this time, but wanted to begin the process of making changes to the State Law, Title 35-A §6103 to hopefully increase the bond rating.

2. Other Business

Trustee Willett commented on an article in the Portland Press Herald about water overflow going into the Bay. He inquired if the District is going to be asked to help municipalities.

Scott Firmin, explained the volume of combined sewer overflows is largely related to the amount of rainfall, not only the amount but the intensity. There were big storms last year. The City of Portland is responsible for the collector system. PWD is responsible for the interceptor system. The City of Portland is working its long-term control plan. PWD is already maximizing its facilities.

The District has a meeting with ecoMaine on Thursday, February 15 to discuss biosolids.

3. Adjourn

The meeting was adjourned at 7:46 p.m.

Submitted by,

Carrie E. Cote
Assistant Clerk