

KENT COUNTY WATER AUTHORITY

MINUTES OF THE REGULAR MEETING  
OF THE BOARD

March 16, 2017

A meeting of the Board of Directors of the Kent County Water Authority was held on the 16<sup>th</sup> day of March 2017, at 3:30 p.m. at the offices of the Authority in West Warwick, RI, in the Joseph D. Richard Board Room.

Chairman Robert Boyer opened the meeting at 3:30 p.m. Board members, Treasurer Joseph Gallucci, Secretary Scott Duckworth and Frank Giorgio were all present together, along with the General Manager/Chief Engineer Timothy J. Brown, Legal Counsel Patrick J. Sullivan, Esq., Treatment Manager/Water Project Engineer Dave Simmons and Director of Technical Services John Duchesneau and Director of Finance and Administration Michael Lanfredi. Vice-President Peter Masterson was not present. Mr. Boyer led the group in the pledge of allegiance.

**APPROVAL OF THE MINUTES**

The minutes of the regular board meeting held on February 16, 2017 and the special meeting held February 21, 2017 were presented for approval. Mr. Duckworth moved passage of the minutes, seconded by Mr. Giorgi and the minutes were unanimously approved.

**LEGAL MATTERS**

Legal Counsel Mr. Sullivan reported on the current status of the KCWA v. Colbea matter. He indicated that an affidavit had been filed in that matter as an exhibit. He added that the Judge had discussed his ruling for the first time and that this was only the beginning. Attorney Sullivan offered that these facts lead him to believe that the Judge will rule in KCWA's favor. He added that there remains the issue of contaminated soil.

Attorney Sullivan reported next on the KCWA v. Cardi lawsuit. He stated that Cardi has served interrogatories and that mediation may be the next step.

Next, Mr. Sullivan mentioned the land encroachment and had no new status updates. Mr. Brown indicated that there were additional encroachments and asked Mr. Sullivan to send notice out to each party.

**Director of Finance Report:**

Mr. Lanfredi, Finance Director, explained and submitted the financial report. He reported on the Cash Receipts and Disbursements and Statement of Cash Location FY 2016-2017 as of December 2016, attached as exhibit "A", and a thorough discussion ensued with regard to the sales and revenue.

Mr. Gallucci moved, seconded by Mr. Duckworth to accept the reports and attach the same as an exhibit and that the same be incorporated by reference and be made a part of these minutes.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the Cash Receipts and Disbursements and Statement of Cash Location FY 2016-2017 as of December 2016, and Statement of Revenues, attached as exhibit "A", be approved as presented and be incorporated herein and are made a part hereof.

### **GENERAL MANAGER/CHIEF ENGINEER'S REPORT**

#### **Bond Series Resolution Authorizing Not to Exceed \$12,000,000 Revenue Bonds, 2017 Series A, Approval**

Mr. Brown introduced Attorney Karen Grande, who presented on short term borrowing. Attorney Grande, who is KCWA bond counsel, stated that Webster Bank submitted a proposal. An RFP was issued for various banks with responses from the following banks: Webster, Citizens, Santander, Bank of America, among others. There were also private placements.

Attorney Grande indicated that the RFP met all the terms on the Public Finance Corporation's website. She went on to discuss the rate calculation as follows: as of 3/13/17, it was 2.27% for draw down loans, with interest accruing only when money is drawn, and 2.17% for fixed rate tax exempt with interest paid from day 1. She advised that the tax exempt fixed rate was the best way to move forward.

Mr. Brown stated that, from financial advisors, if drawdowns are three million each using the 2.27% rate calculation, that would amount to \$48,000 in additional interest.

Attorney Grande advised that this is the best interest rate for customers and the investment is already the best. She added that if covenants are required, it will have to be returned. Traditional covenants were proposed.

Mr. Brown discussed payments. He thought this method would give the Board flexibility to pay off early or stretch it out, and that it would be the Board's decision down the road.

Attorney Grande indicated that in her experience with Webster Bank, they are easy to deal with.

Mr. Brown responded that it would be nice to select Webster Bank and move forward with the closing after seven proposals were received.

Mr. Giorgio made a motion, seconded by Mr. Duckworth, to approve Webster Bank's proposal as presented and appended hereto as exhibit "B".

Upon motion duly made and seconded, it was unanimously,

VOTED: That Webster Bank's proposal as presented and appended hereto as exhibit "B" is approved by the Board.

Attorney Grande next presented the Series Resolution. She explained that the general bond resolution was adopted in 1994. These revenue bonds were secured by revenues. The series resolution is used for this transaction. They should be read together with the proposal just passed from Webster Bank. She indicated that combined, it represents the terms and conditions of this transaction. Attorney Grande then provided a thorough review of the Series Resolution with the board.

Attorney Grande discussed the debt service reserve fund as 10% of the bond amount. If the revenues are short, then the trustee may use the reserve to make payments on the indebtedness. She stated that the cost of the issuance is deducted and then explained that the cost of the bond demonstrates redemption conditions (36 months). Attorney Grande then discussed arbitrage and the risks earning interest on the tax-exempt bonds.

Mr. Giorgio made a motion, seconded by Mr. Duckworth, to approve Bond Series Resolution Authorizing Not to Exceed \$12,000,000 Revenue Bonds, 2017 Series A.

Upon motion duly made and seconded, it was unanimously,

VOTED: That Bond Series Resolution Authorizing Not to Exceed \$12,000,000 Revenue Bonds, 2017 Series A, is approved

### **Execution of Municipal Advisory Agreement, First Southwest Hilltop Securities**

Attorney Grande next went over the Municipal Advisory Agreement. There is a new requirement that regulates underwriters and municipal advisors. Municipal advisors look for business by offering to refinance town bonds, etc. This new requirement imposes an obligation of fair dealing and fiduciary responsibility and this document discloses it on behalf of First Southwest Hilltop Securities.

She requested that the board review and approve the document and authorize its execution.

Mr. Brown discussed three previous disciplinary events that were disclosed in the disclosure document against First Southwest. One was arose from the 38 Studios litigation where they paid \$16 million to settle with Rhode Island. Notwithstanding those events, Mr. Brown recommends approval because of the good experience we had with them in the past.

Attorney Grande discussed the continuing disclosure and relevant rule changes.

Mr. Brown then indicated that the Board provides public disclosure and that the Board will get documents by October so that the Board can get disclosure.

Mr. Duckworth asked about the 38 Studios litigation and asked about any repercussions. Mr. Brown didn't think there was any.

Mr. Gallucci made a motion, seconded by Mr. Giorgio, to approve and authorize the Chairman execute the Municipal Advisory Agreement, First Southwest Hilltop Securities

Upon motion duly made and seconded, it was unanimously,

VOTED: That KCWA approves and authorizes the Chairman to execute the Municipal Advisory Agreement, First Southwest Hilltop Securities.

Mr. Brown responded that the fee is \$12,000 and that he sees no downside at all. He stated that the Board has used these people since they worked at Fleet Bank. Mr. Brown then added that the Board cannot close until the 20<sup>th</sup>, as the appeal period has to run on order to indebtedness.

## **GENERAL:**

### **Point of Personal Privilege and Communication**

Nothing to report.

### **Warwick Meter Project:**

Mr. Brown said that the Board received a letter from Dan O'Rourke regarding the Potowomut meter. There has been no testing of the meter in some time. The letter indicates that there is no pressure receiving valve and that a request was made to North Kingstown Water to open the emergency release.

Mr. Brown went on to discuss alternatives: the meters need to be tested. The Board has requirements for testing meters, per the RIPUC's Division of Utilities and Carriers.

Mr. Duckworth asked about the size of the meter and cost of the meter test.

Mr. Boyer said that the authority could be losing money.

Mr., Brown said they could use a spool piece, or a temporary bypass late at night for half an hour or 50 minutes to do the testing.

Mr. Gallucci said that he would like to give Mr. O'Rourke until April 1, 2017 as a deadline to conduct the test.

Mr. Giorgio added that he is worried about it freezing.

### **INFRASTRUCTURE PROJECTS**

#### **Financial Update IFR Programs – Short-term Borrowing, \$12,000,000 IFR Programs, Proposals Due March 13, 2017**

Mr. Brown said that bond counsel went over this in her presentation.

#### **Apponaug Circulator Water Main Replacement**

Mr. Brown said that the circulator is still operating. There is a concern about freezing. There is no fee and Cardi is going all of the Apponaug Circulator work.

#### **East Greenwich Well Refurbishment**

Mr. Brown said that this is ongoing. He sent letters out regarding pipe materials used. The 2" cast iron should be PVC, as the cast iron is old technology.

#### **IFR 2014A**

Shut downs; job essentially complete.

#### **IFR 2014B**

Winter Shutdown.

#### **IFR 2015A**

Winter Shutdown.

**IFR 2015B**

Winter shutdown.

**IFR 2016 Design (Project Status)**

Mr. Brown updated the Board that the design services are ongoing.

**CAPITAL PROJECTS**

**Mishnock Area Transmission Main, Design Revision (Current Project Status)**

Mr. Brown indicated that construction will begin Spring 2017.

**Water Main North/South Interconnection High Service**

Design services ongoing.

There being no further business before the board, Mr. Duckworth moved, seconded by Mr. Giorgio to adjourn the meeting.

Dated: April \_\_\_\_, 2017

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Patrick J. Sullivan  
Legal Counsel