

# KENT COUNTY WATER AUTHORITY

## MINUTES OF THE MEETING OF THE BOARD

April 17, 2014

A regular meeting of the Board of Directors of the Kent County Water Authority was held on the 17<sup>th</sup> day of April 2014, at 3:30 p.m. at the offices of the Authority in West Warwick, RI, in the Joseph D. Richard Board Room.

Chairman Boyer opened the meeting at 3:30 p.m. Chairman Boyer, Board Members Vice-Chairman Masterson, Mr. Gallucci, Mr. Inman and Mr. Giorgio were present together, along with the General Manager/Chief Engineer Timothy J. Brown, house counsel, Patrick J. Sullivan, Esq., rate counsel Robert Watson, as well as Finance Director Jo-Ann Gershkoff, Mr. Duchesneau and Mr. Simmons. Mr. Gallucci led the group in the pledge of allegiance.

### **APPROVAL OF THE MINUTES**

The minutes of the regular board meeting of March 20, 2014 as well as the minutes of the special board meeting of March 18, 2014 were presented for approval. Mr. Masterson moved passage, seconded by Mr. Gallucci and the minutes for each meeting were unanimously approved.

### **HIGH SERVICE REQUEST**

#### **Ratification of Approval at 2005 Middle Rd, East Greenwich - Allen Gammons**

Mr. Brown advises the board that he requests approval for this project. He indicates that the Chairman approved the request. There was no problem with the request, and it was for Allen Gammons. The application wasn't filed in time for the last meeting.

After a brief discussion, it was moved by Mr. Masterson, seconded by Mr. Galucci, to conditionally approve the request for water supply to two single family homes with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third-party commitments made by an applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.
2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA; KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may

occur if the water supply is unavailable or unable to produce water sufficient to service the customers KCWA.

3. Ventures, commitments or agreements are made at the applicant's sole risk if supply for existing infrastructure is found to be insufficient to support service. The applicant may afford the authority with system improvements to facilitate adequate service.

4. The applicant shall file a formal single-family home application. The applicant/customer understands that any undetected error in the application or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.

5. Only conservation-wise plumbing fixtures are to be installed including, but not limited to, low flow shower heads, low flow toilets and low flow guarantors on faucets.

6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping technique and/or proper planting bed (high water holding capacity) slow preparation shall be employed throughout the project.

Upon Motion made, and duly seconded, and unanimously voted,

VOTED: That based upon health and safety concerns, the board conditionally approves the request for water supply to service two single family homes with the following conditions in lieu of a moratorium:

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### **1 Westfield Drive, East Greenwich – Millie and John Pereira**

Millie Pereira and Gary Johnson appear for the application for high service approval. Mr. Johnson indicates that the existing well is pumping .4 gallons per minute, which is insufficient for the large home. He added there is a curb stop so excavation in the roadway is not needed.

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## **LEGAL MATTERS**

Legal Counsel Mr. Sullivan reported on the Center of New England receivership. There were court skirmishes between the receivership entities and Mr. Cambio relating to collection of money judgments. Mr. Brown reported that the management company hired by the receiver is current in their obligations to the KCWA.

He also reported on the Central Coventry Fire District receivership. He reported that there was a hearing scheduled that day on a payment to KCWA on the arrears owed. The receiver proposed a payment of \$175,000.00 to KCWA for approval by the court. The town of Coventry had objected, asserting that their \$300,000.00 loan was made with the understanding by the court that they were to be paid first. Mr. Sullivan indicated that the hearing was

postponed until May 1, 2014. He then summarized the general assembly's imposition of the fiscal stability act upon the CCFD. He reported that the senate had approved the legislation, and it was expected to pass the house that day. The governor is expected to sign it, which would put the liquidation order by the court into question. He also reported that if it were signed prior to May 1, 2014, it could also put the proposed payment into question. He reiterated to the board that he would continue to follow the issue.

He then reported that the issue regarding the Shell station at 642 Washington St. is later on the agenda.

### **Director of Finance Report:**

Jo-Ann Gershkoff, Finance Director, explained and submitted the financial report. Statement of Revenues as of February 28, 2014 FY 2013-2014 and Cash Receipts and Disbursements FY 2013-2014 as of March 31, 2014 attached as exhibit "A", and a thorough discussion ensued with regard to the sales and revenue.

Mr. Gallucci moved and seconded by Mr. Inman 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 financial report and Statement of Revenues as of February 28, 2014 FY 2013-2014 and Cash Receipts and Disbursements FY 2013-2014 as of March 31, 2014 attached as exhibit "A", be approved as presented and be incorporated herein and are made a part hereof.

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

Chairman Boyer reported to the board that he felt that the recent termination of two employees was the right thing for the board to do. He reported that harmony had returned to the workforce, and that the action of the board had resolved a host of problems.

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

### **GENERAL:**

#### **New Hires**

Mr. Brown made a presentation to the board regarding his interviews with applicants for various positions as well as recommendations for hires to the board. He commented that there was a good field of candidates who applied. He added that he consulted past applications as well.

Based upon the interviews, Mr. Brown made the following recommendations to the board to extend a conditional offer of employment to:

1. James Gomes
2. Ernest DiSaia
3. Ryan Fiske
4. Guiseppe Manna

Mr. Gallucci asked Mr. Brown why four positions are being filled as he thought there were three open. Mr. Brown informed Mr. Gallucci that there was an existing opening that he was filling now as well.

Mr. Inman moved, seconded by Mr. Gallucci, that the following candidate be extended a conditional offer of employment:

1. James Gomes
2. Ernest DiSaia
3. Ryan Fiske
4. Guiseppe Manna

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the candidates are extended an offer of employment with KCWA for the normal 2 year probationary period at the set starting salary:

5. James Gomes
6. Ernest DiSaia
7. Ryan Fiske
8. Guiseppe Manna

### **Disinfectant By Products, KCWA Systems**

Mr. Brown discussed TTHM's with the board. He indicated that these contaminants have increasingly shown higher levels across the state. Indicated that the Bristol County Water Authority as well as the East Providence water system levels came back so high that a notice had to be sent to the customers. Mr. Brown indicated that we are testing water every day. He suggested that a drop in demand causes water to stagnate and inhibits the ability of the water to move which keeps the system fresh. He added that most of the water in question came originally from Providence water supply board. Mr. Brown indicated that he will be splitting the analysis between two labs. He also added that he will be conducting more flushing of the system so as to prevent the levels increase in the future.

### **642 Washington St. – Plan of Action Proposal for Design**

Mr. Brown updated the board on the design services proposal for replacement of the

water main and contaminated soil at the Shell station at 642 Washington St. in Coventry. He indicated that there were ongoing negotiations with the principal, COLBEA Enterprises who owns the station, as to how the cost share would take place. He indicated that the design proposal came back at \$9,800.00. Mr. Brown indicated that the proposal does exactly what is needed at the site. He indicated that the contracting services are certainly the responsibility of the owner. Mr. Brown indicated KCWA does the design and they do the construction. Mr. Brown suggested that if the board wished, they could direct Attorney Sullivan to firm up the parties respective obligations in connection with this construction. Chairman Boyer spoke to Mr. Sullivan and indeed asked them to attempt to shore this agreement up.

Mr. Inman moved, seconded by Mr. Gallucci, That the KCWA authorizes Attorney Sullivan to negotiate and finalize an agreement wherein the KCWA is responsible for design work and COLBEA Enterprises is responsible for construction.

Upon Motion duly made and seconded, it was unanimously,

VOTED: KCWA authorizes Attorney Sullivan to negotiate and finalize an agreement wherein the KCWA is responsible for design work and COLBEA Enterprises is responsible for construction of the new water main at 642 Washington Street.

### **Legal Services**

The issue of legal services was discussed by Mr. Brown. He advised the board that if they wanted a *request for proposal* to be issued, they would need to start the ball rolling now. He indicated that if the board authorized him to proceed down that route, he needs enough lead time to have proposals in a few months.

Mr. Gallucci asked Mr. Brown whether or not they could extend the current legal service providers for another year. Mr. Brown indicated that could easily be done by the board. Mr. Boyer indicated that he would rule out the RFP. Mr. Brown added that he would ask for renewed engagement letters from the current attorneys for KCWA for consideration by the board in the future.

### **CAPITAL PROJECTS:**

#### **CIP 1C Mishnock Well Treatment Plant (Construction Status)**

The general manager reported the plant is operational, but there remain issues. He added that he met with Wright Pierce. He said that he recommended that the board do nothing right now. He indicated that there are more issues that may need resolution. He said he understood the contractor's position but he didn't agree with it. Chairman Boyer added that he does not understand why they failed to raise any red flags when things started going wrong. Mr. Brown indicated that the KCWA still has a very big issue, namely, the location of the crane. He added that it was 6 inches off. Mr. Brown concluded that it was a design error.

## **INFRASTRUCTURE PROJECTS**

### **IFR 2010B Prospect Hill (Construction Status)**

The general manager informs the board that this project has started again. He indicated that the spring season paving was beginning. They will also get the patches done.

### **Quaker Lane Pump Station Upgrade (Status)**

The general manager reports that there were issues related to the generator. He reported that next week they were going to remove the housing and reset it as it was leaking. This project has not been accepted for substantial completion and liquidated damages remain.

### **Apponaug Circulator Water Main Replacement (Status)**

Mr. Brown reported to the board that Mr. Sullivan had just received a revised construction and maintenance agreement from legal counsel at RIDOT regarding this project. He advised the board that he initially received the document and was given three days to get it authorized and signed. He informed the board that he contacted the director at RIDOT and was given the time that he needs for negotiation, authorization, and execution. In the agreement, there was a provision that the authority would be required to indemnify the state for willful and wanton conduct, including criminal activity, by the contractor selected by KCWA. Mr. Sullivan added that interestingly enough, the new language was not in the original document prepared by all RIDOT. If the authority had simply signed it back then, this issue would be a nonstarter. Mr. Brown and Mr. Sullivan agreed that it was unlikely that this indemnification provision could even be insured away. Mr. Brown asked the board to authorize the chairman to sign a revised agreement once that particular issue was addressed to legal counsel and the general manager's satisfaction.

Mr. Gallucci moved, seconded by Mr. Masterson, to authorize the chairman to sign the construction and maintenance agreement for the Apponaug circulator with RIDOT once the indemnification issue is resolved to the satisfaction of legal counsel and the general manager.

Upon Motion duly made and seconded, it was unanimously,

VOTED: The Chairman is authorized to execute the construction and maintenance agreement for the Apponaug circulator with RIDOT once the indemnification issue is resolved to the satisfaction of legal counsel in the general manager.

### **System Chlorinators, Addition to Clinton and Quaker PS**

These plans were submitted to the Department of Health for approval and the state communicated their approval to the general manager

### **Hydraulic Model Upgrade**



The general manager reported that these upgrades were currently being worked on including the use of GIS mapping.

### **East Greenwich Refurbishment**

The preliminary drawings were received today regarding the location of the new facility.

### **2014/2015 IFR**

Mr. Brown reported he's requesting that the board divide this into four parts from the current two. Chairman Boyer indicated he thought this was a good idea. Mr. Brown added that the city of Warwick is doing considerable work on Toll Gate Road at the same time so it makes sense for their work to go on concurrently with the repairs by the city. He added that with the break up into four parts, even though they're all under the same design contract, he predicted more competition between contractors and quicker project completion. He requested the following general sections:

2014

- A. Toll Gate Rd
- B. Tampa St. in West Warwick, adding that it is very old infrastructure in the area.

2015

- A. Commonwealth Avenue on the Warwick, West Warwick border. East Ave., Wakefield Street area and Orchard Avenue.
- B. West Warwick area off New London Ave.

He added that Geremia & Associates has agreed to do the two other contracts, four versus two contractors, for a cost of \$12,300.00.

Mr. Masterson moved, seconded by Mr. Gallucci, to authorize Geremia and Associates to complete the two additional contracts for total of four for a cost of \$12,300.00.

Upon Motion duly made and seconded, it was unanimously,

VOTED: KCWA hereby authorizes Geremia & Associates to complete the two additional contracts for total of four for a cost of \$12,300.00.

The issue of the program in Coventry was raised by Mr. Brown and Mr. Inman for discussion. Mr. Brown read the ordinance relating to paving from the Town of Coventry, which requires curb to curb paving in the event the excavation exceeds 300 feet. It also requires materials approved by the director of public works. He added that the town is requiring KCWA to remove the temporary pavement and remove the gravel, then to a trench patch with overlay. Mr. Brown added that this would double the normal cost of repairs excluding the overlay, and is a new requirement being imposed.

Chairman Boyer indicated that the director of the Coventry DPW is not an engineer. He suggested that our engineer, Mr. Geremia, sit down with the DPW and have a discussion. He added that Mr. Geremia should draw up a spec on how this should be done. Mr. Inman discussed the fact that each side has an engineer, and likes the chairman's suggestion, or even with a third party engineer to resolve the impasse. He regretted the fact that the community he represents will suffer as a result.

Mr. Brown indicated that he could take it to the division if needed.

### **Pension Review, Joe Bonasera, Summit Financial**

Representatives of Summit Financial appeared to discuss the pension program with the board sitting as trustees of the pension fund.

Joe Bonasera discussed the fact that the fund was doing extremely well. He told the board that the plan is 83% funded which he opined was terrific. He added that most municipal plans are severely underfunded and are suffering benefit cuts and the like. He congratulated the board for their investments.

He discussed the current investments and went over the composition of the fund. He discussed the overall market strategy. He reviewed the investment policy and the 2013 investment changes with the board. He then went on to investment due diligence with the board. He then reviewed capital markets and closed with reviewing the actuarial report.

There was discussion among the board. Mr. Inman questioned the return variance from metals and mining to commodities to REIT. Mr. Bonasera explained the graphic.

Mr. Brown discussed the old practice of purchasing annuities for employees, and when the retiree deceased, the annuity ended. Now, mortalities benefit the plan, as the plan enjoys the non disbursed benefits. He also added that this plan doesn't offer COLAs.

Mr. Bonasera reported that a fund manager at Oppenheimer was leaving his post. As a result, he advised the board to move that investment from Oppenheimer to Templeton Global Benefit Fund which has a proven rate of performance. He said he was reluctant to keep the money with Oppenheimer with a new manager without a proven period of success.

Mr. Gallucci moved, seconded by Mr. Masterson, to authorize Summit Financial to move KCWA's investment from Oppenheimer to Templeton Global Benefit Fund.

Upon Motion duly made and seconded, it was unanimously,

VOTED: KCWA hereby authorizes Summit Financial to move KCWA's investment from Oppenheimer to Templeton Global Benefit Fund.

### **New Facility Discussion**

The new facility discussion was held. Chairman Boyer opened the discussion. He expressed support for the building at 80 Centre of New England Blvd. in Coventry. He added that the building was recently foreclosed on by the lender and is currently owned by D'Ambra Construction. The chairman added that he had spoken to Tom Ahearn at the PUC who agreed the location was a good one and suggested a meeting with his staff and Mr. Watson, rate counsel. He added that the roads and water lines are private and CAM agreements exist, but the receiver wants KCWA to take over the water lines, and that might work out the CAM charges issues.

The chairman added that Mr. Watson could get a feel as to whether the effort would be worth it, and perhaps a guide on which way to proceed, if at all.

The general manager cautioned the board. He thought that if it were to be done this way, it would certainly blow the opportunity to get a new building. He said the KCWA had a building in a rate case and it was removed. He said KCWA hadn't even looked at other options. He added that Mr. Ahearn is the wrong person to go to, as he represents the consumer.

There was discussion of a single issue rate case. Mr. Brown said that the PUC does have the authority for a single issue rate case, but he opined that it would fail.

Mr. Watson echoed Mr. Brown's sentiments, adding that four years between rate filings is a long time.

Chairman Boyer reiterated that Mr. Ahearn advised him what to do, to set up a meeting with his staff, adding that he thinks KCWA has an opportunity here. Mr. Gallucci asked the general manager if he was comfortable with this request, and Mr. Brown indicated that he wasn't. He thought this route would backfire. Mr. Brown said the guy who bought the building called Mr. Ahearn. He added that KCWA doesn't have the money for this. It is a capital expense. He thought KCWA has a very good opportunity to get a building at this time, but the proposed way is not the right way.

Mr. Masterson asked if Mr. Ahearn has control over his staff. He added that he supports the general manager who has gone through numerous rate cases, and who has the experience and institutional knowledge of these rate cases.

There being no further business before this meeting, on motion duly made by Mr. Inman, seconded by Mr. Giorgio and carried, the meeting was adjourned at 5:30 p.m.

Dated: May \_\_\_\_, 2014

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Legal Counsel