

KENT COUNTY WATER AUTHORITY

MINUTES OF THE SPECIAL MEETING OF THE BOARD

March 28, 2018

A meeting of the Board of Directors of the Kent County Water Authority was held on the 28th day of March, 2018, 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, Vice-Chairman Peter Masterson, Treasurer Joseph Gallucci, Secretary Scott Duckworth, Russell Crossman and Frank Giorgio were all present together, along with the General Manager/Chief Engineer Timothy J. Brown, Legal Counsel Patrick J. Sullivan, Esq., Director of Technical Services John Duchesneau and Director of Finance and Administration Michael Lanfredi. Also, in attendance was Treatment Manager/Water Project Engineer Dave Simmons. Chairman Boyer led the group in the pledge of allegiance.

RESTRUCTURING OF BOARD

The Chairman opened the meeting indicating that he wanted to discuss the restructuring of the Authority. He also said he wanted to add to the agenda for discussion purposes only a discussion of a new facility and a discussion of the retirement of the general manager and moving forward with that.

Mr. Giorgio moved, seconded by Mr. Gallucci, to amend the agenda to add for discussion purposes only, a discussion of a new facility and a discussion of the retirement of the general manager and moving forward.

With a motion made and duly seconded, it was approved as follows:

The Chairman took a roll call vote as follows

Mr. Giorgio	yes
Mr. Crossman	yes
Mr. Masterson	yes
Mr. Masterson	yes
Mr. Duckworth	yes
Mr. Boyer	yes

Mr. Masterson stated that the Chairman had not disclosed to him the additional items in a phone call just prior to the meeting. It was Mr. Boyer's answer he didn't need to.

Chairman Boyer reminded the board that Mr. Brown mentioned his retirement fourteen months ago and the board hadn't heard anything since. He said that everyone thinks he had done a fantastic job with KCWA and it will be extremely difficult to fill his shoes. He said the board had work to do in that regard though. He went on to suggest the Board become more invested in the day to day operations relative to reviewing and approving applications for new developments, creating sub committees to review the rules and regulations that he believes are outdated and other general operational duties.

The Chairman then began the discussion relative to the relocation to a new facility. He said he looked at the old Imnskip facility on Providence St. in West Warwick while engaged in another business project, and began comparing that facility with the current facility that KCWA occupies. He compared the improved and unimproved area and passed out some aerial photos to the board.

Mr. Duckworth asked about the floodplain, and whether it flooded during the major RI flooding. Mr. Boyer said it was well above the floodplain and that it didn't flood during the major floods. Mr. Masterson asked about the FEMA map, but the Chairman said he didn't currently know if it was, but thought it wasn't.

The Chairman said he called the real estate broker. He said that he and Mr. Brown went to see the facility years ago. He said it listed for about \$800,000.00 then and now they were asking \$1.2 to \$1.4 million. He described the interior with offices and the garages that could accommodate the heavy equipment.

Mr. Duckworth asked about access to sewers and gas. He also asked if when Inskip bought it whether they did a phase 1 or 2 environmental assessment. He said he thought the prior owner stored fuel and may have dumped waste there in the past. He asked if there was a current appraisal as well.

Mr. Brown then discussed the site. He said it was the old LeMays GMC and outlined some history with the facility.

The Chairman said the location had access to utilities and the tax was currently \$27,000.00. He said he thought the board should at least look at the facility.

Mr. Masterson discussed the length of time on the market.

Mr. Brown reminded the board that during the last rate filing the Commission _____ approval funding to conduct a study and indicated that the board may only be able to do a study

for preparation of the next rate filing. He said there was a study done in 1999 that enumerated the factors that KCWA has to take into effect. He said KCWA was a long way from coming close to another facility. He said he spoke to the Chairman on this before. He said the purse strings are currently tight and the funds are restricted in accounts that are for approved projects only. He said the commission controls capital expenditures. He added that he saw the PWSB facility that day. He said it cost them \$27 million. He added that a new facility with energy conservation would be a plus with the PUC. He said funding with a rate filing could be over one year away.

Mr. Duckworth suggested that KCWA build a new facility on land it already owned. He said he looked at the land owned and said KCWA owns some very large parcels.

Mr. Brown said there was land on Hopkins Hill Rd. and Mishnock and agreed with Mr. Duckworth but a zoning issue may be present. He said he would get copies of the previous study to the board. He then said the current facility, if KCWA were to sell it, had to be offered to the Town of West Warwick first, at fair market value. If they declined, then it could be marketed to third parties.

Mr. Masterson asked about a lease option. Mr. Brown said any debt must first be approved by the DPUC.

Mr. Gallucci asked if they paid any property tax on the current building. Mr. Brown went into a discussion of the payment in lieu of taxes law on the KCWA. He said whatever the most recent prior tax was assessed and paid on any new facility would be the tax basis going forward, and it would not go up. He said that gave the advantage to building a new facility, as the tax would be on the land only going forward.

Chairman Boyer then began a discussion about the ‘break even’ point on water consumption. Mr. Brown said there wasn’t one. Mr. Brown said the known and measurable cost less the known and measurable expenses was the measure.

Mr. Duckworth said the budget was based upon projections. If KCWA sells less than projected, there will be less revenue.

The Chairman said they needed to look at this from a layman’s point of view. He began a hypothetical of sales to explain. He asked Mr. Lanfredi to explain. Mr. Lanfredi said the budget is \$22 million dollars.

Mr. Brown said there was a drop in sales over the last 6 years. He said the average sales were 6.5 million gallons per day, down from 9 million gallons per day but the rates have been appropriately adjusted at each rate filing to account for the sales reduction.

Chairman Boyer then discussed the succession of employees. He thought Mr. Simmons was ready to take over for Mr. Brown's position. Chairman Boyer said that Mr. Simmons is pretty busy and thought that KCWA needed a separate administrator or executive to handle the management and general business of the authority. He suggested a separate position with Mr. Simmons remaining as the chief engineer. He added that the question is when is Mr. Brown's retirement. He said KCWA needs to stay strong. He said with people retiring, someone's absence could hurt the authority. He was adamant that the board needs a date for his retirement.

Mr. Brown added that in the next 3-5 years, retirements are coming and normal attrition seen before. He said it will be difficult to get someone from outside. He said they would need both regulatory and operational experience as well as RIDOH licensing. He was expecting current employees to pick up duties on their own initiative. He went on to say that the primary focus is providing our customers safe water. He went over the challenges of KCWA and said the board put in a strategic plan in effect. Part of that is a succession plan that had been on the agenda multiple months in the past for board discussion and action. He added the company is financially strong. Mr. Duckworth agreed.

The Chairman and Mr. Brown discussed the figure of \$10 million as a threshold cost for a new facility. Mr. Masterson said the only thing left was the procedure of getting it approved.

Chairman Boyer said we may be able to use our capital funds. If the PUC allows this, then KCWA can buy what is necessary.

There was a general discussion of the board about the procedure to actually purchase a facility or build one when a petition is pending before the PUC.

The Chairman said if the Providence St. property could be obtained for \$800,000.00 and the current facility could be sold for \$300,000.00, the actual cost would be \$500,000.00.

Mr. Masterson, saying he had been in real estate his whole life, thought the Providence St. facility owners would be real anxious to sell it instead of paying \$27,000.00 per year in taxes for vacant property.

Mr. Duckworth finished the discussion saying he would like to see a phase 1 environmental done on the property.

Chairman Boyer raised the issue of Mr. Brown's retirement. He asked Mr. Brown, and said the board needed a date because of succession planning. He said Mr. Simmons may one day say he is leaving, and said in fairness to the board and all employees, he should set a date.

Mr. Duckworth said he would like to see a succession plan before a date. He would like to see what each employee did on a daily basis. Who covers for whom? The Chairman agreed, but he said Mr. Brown has it working pretty good. He said the board still needed a date.

Mr. Brown said the KCWA has a current operational plan.

Mr. Masterson said Mr. Brown had been there a long time , and thought he had the right to make his own decisions on his retirement. Other members expressed similar positions as Mr. Masterson.

Mr. Boyer said this is about KCWA not about an individual person.

Mr. Brown said the Chairman had no right to ask his retirement date. He said he presented his future retirement during a previous board meeting to promote a gainful discussion relative to obtaining direction from the board relative to development of a succession plan. He said he hoped this would prompt the board for discussion. He said it was also needed for bonding reviews and ratings. Chairman Boyer said he was just hearing this now. Mr. Brown said he had it on a number of agendas before and discussed previously.

Mr. Brown said he had no exit date at that time and expressed his commitment to assuring a successful transition. Chairman Boyer said the board could set the date. Mr. Masterson said he didn't agree with that, saying they owed Mr. Brown more than that. The Chairman said this had nothing to do with that.

Mr. Giorgio interjected saying to Mr. Brown that there was no intent to push him out. He said a year and one half ago, he told the board he was retiring. He said the board was just trying to be prepared.

Mr. Brown said it wasn't his intent to walk out tomorrow. Mr. Boyer asked Mr. Brown if he had changed his mind. Mr. Brown said no .

Mr. Brown said he would give the board an answer via an "on or before" date.

The Chairman said that would be a good idea. Mr. Brown said he had put his blood, sweat and tears into the company and would not leave without sufficient notice.

Mr. Brown said the board has the governing authority, but the operator must have a licensed operator to operate the facility. He said they need someone in control who is licensed, and the board must understand this. Chairman Boyer asked if Mr. Simmons had this license, and Mr. Brown said he did.

There was a brief discussion of pending legislation.

There being no further business before the board, Mr. Giorgio moved, seconded by Mr. Crossman, to adjourn the meeting. The vote was unanimous in the affirmative.

Dated: April ___, 2018

Patrick J. Sullivan
Legal Counsel