

KENT COUNTY WATER AUTHORITY

MINUTES OF THE MEETING
OF THE BOARD

May 23, 2013

A regular meeting of the Board of Directors of the Kent County Water Authority was held on the 23rd day of May, 2013, 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. Inman, who arrived later, and Mr. Giorgio were present together, along with the General Manager/Chief Engineer Timothy J. Brown, legal counsel Patrick J. Sullivan, Esq. as well as Mr. Duscheneau, Jo-Anne Gershkoff and Mr. Simmons. Chairman Boyer led the group in the pledge of allegiance.

APPROVAL OF THE MINUTES

The minutes of the regular board meeting of April 25, 2013 were presented for approval. Mr. Giorgio moved passage, seconded by Mr. Masterson and the minutes were unanimously approved.

GUESTS

3:30 p.m. High Service Requests:

David Madden 1409 Frenchtown Rd.

Mr. Brown reports that he has placed this matter on the agenda but feels the applicant has re-dug the well, and may have abandoned the effort for the request. Mr. Masterson adds that he had attempted to contact Mr. Madden to no avail.

Carolyn Petreccia One St. Onge Drive, West Warwick

Carolyn Petreccia appears for high service request. Mr. Brown reported to the board that he reviewed the plan and had no concerns, and recommends approval. After a discussion the board acted.

It was moved by Mr. Giorgio, seconded by Mr. Masterson, to conditionally approve the request for water supply to a single family home 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 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 to conditionally approve the request for water supply to service a single family home 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 make occur if the water supply is unavailable or unable to produce water sufficient to service the customers KCWA.

3. Ventures, commitments or agreements are 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.

LEGAL MATTERS

Legal counsel Patrick J. Sullivan updated the Board on the Central Coventry Fire District receivership. He reports that the District remains in receivership and that the full tax bill is now due per the new law passed by the General Assembly and allowed to become law without the Governor's signature. The Judge also ordered board elections to the board of directors, which are scheduled to take place in June.

Mr. Sullivan also updated the Board regarding the receivership of the Commerce Park Properties at the Centre of New England. He continued that the latest developments include some involvement of non receivership entities being brought into the receivership.

Mr. Sullivan updated the board on the Green View water line easement, and that through an apparent oversight, the easement was never recorded as part of the approval process. He reported progress with Attorney Scungio.

Mr. Sullivan finished his report with a report of a lack of progress with the situation at 642 Washington St., the Shell Station, in Coventry. He reports that several dates for meetings had been proposed, then rejected by COLBEA Enterprises, LLC, the firm that did the work at the site. The authority's water main continues to rest on contaminated soil in a prescriptive easement across the station's property. The board suggested that if we could not schedule a meeting within a short but reasonable amount of time the matter should be referred for litigation. Mr. Sullivan reports that he has drafted a lawsuit in any event.

It was moved by Mr. Masterson, seconded by Mr. Giorgio, to direct Mr. Sullivan to file a court action for trespass on the easement in the event cooperation fails to materialize regarding the contamination around the water main at 642 Washington St.

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

VOTED: That Mr. Sullivan is directed to file a court action for trespass on the easement

in the event cooperation fails to materialize regarding the contamination around the water main at 642 Washington St.

Director of Finance Report (Attachment “A”)

Jo-Ann Gershkoff, Finance Director, explained and submitted the financial report. She introduced and explained the Statement of Cash Location FY 2012-2013 (through April 30, 2013) and the Statement of Revenues, Expenditures and Changes in Fund Balance as of March, 2013 attached as exhibit “A”. A thorough discussion ensued by the board with regard to the sales and revenue.

Chairman Boyer noted that the sale of water continues to remain low.

Mr. Gallucci moved and seconded by Mr. Masterson 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 Statement of Cash Location FY 2012-2013 (through April 30, 2013) and the Statement of Revenues, Expenditures and Changes in Fund Balance as of March, 2013 attached as exhibit “A”, be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege & Communication

Mr. Gallucci commented on House bill H 6099. He suggested that this was a ploy by Providence to take over water distribution for the entire state. He suggested this was a slap to the KCWA board as well as to the City of Warwick for not including any representation on the proposed board. He explained that he was notified by Rep. Shekarchi that the bill was probably dead, but to stay vigilant. Mr. Gallucci went on to say that he was further informed that another bill that expanded the current KCWA board is not going to survive the current session either. Mr. Gallucci also added that he wants to consider a paid lobbyist in the next budget cycle.

Chairman Boyer thanked Mr. Brown, the entire board, as well as legal counsel for their efforts in attempting to do all they could to kill both bills. He said everyone mobilized within twenty four (24) hours.

Mr. Brown added that there was to be testimony that afternoon, and that was the reason the previously scheduled board meeting, scheduled for that day, was moved one week. He added that H-6099 was large, twenty six (26) pages, with little or no time to review. He agreed with Mr. Gallucci that it was a big power grab.

Mr. Masterson added that south county is an untapped resource in the event we need to muster additional opposition.

GENERAL MANAGER/CHIEF ENGINEER'S REPORT

GENERAL:

Division Hearing – Service Availability – Appeal –

General Manager reports that brief has been finalized in the appeal of IN RE: DOCKET NO. D-111-45 COMPLAINT FILING BY GREGORY M. DECUBELLIS AGAINST THE KENT COUNTY WATER AUTHORITY and it is due June 30, 2103.

642 Washington Street, Status of Engineering Review – Action to Date

General Manager Brown reports that this was covered in legal.

IFR 2009B Industrial Lane, West Warwick - Paving Issue Agreement

Mr. Brown reports that we still await action from the Town of West Warwick. It was proposed in front of the West Warwick Council meeting this month and we await the outcome.

Operations Staffing Discussion

Mr. Brown advises the board that he would like to streamline and realign the staff scheduling. The staff is staggered now, and operations at the plant are staggered too. He referred the board to the proposed adjustments which are in his General Managers Report which is attached as an exhibit to these minutes.

Mr. Brown also reports that there was no adequate response to the advertisement for an operator position. He has pulled the position. He will staff it with existing personnel for the time being, which will open two positions. The most important will be the night shift. Once that is filled, he will deal with the final position.

Chairman Boyer reported that he and Mr. Brown walked through the plant last week. He advises that he was extremely impressed and suggested that the board will be amazed. He suggested that one of the future meetings should be at the plant.

The General Manager went on to say that membrane technology can squeeze water out of both good and bad sources. He advised the board that he moved the groundbreaking out to August 1, 2013.

Legislative Legal Services

The General Manager acknowledges the board is looking for this type of position to assist with matters that affect the KCWA such as H-6099. He indicated that with the request, there may be repercussions as the PUC had struck funds from the position in prior budgets. He suggests the importance of this type of position when things like H-6099 happen last minute.

Rate counsel Mr. Watson indicates that he is ineligible to assist in this manner until January 1, 2014, but indicates he is happy to help as a private customer of KCWA.

CAPITAL PROJECTS:

CIP 1C Mishnock Well Treatment Plant and CIP 1B Mishnock Transmission

The General Manager reports the project is currently behind schedule. Startup will be scheduled when completion occurs.

He also advised that the board members would be invited to the dedication. There will be a plaque hung, and predicts the entire board will be duly impressed as was the Chairman.

Mr. Brown reports that we are currently experiencing actual damages in the contract of about \$1,000.00 per day. He predicts there is approximately \$120,000.00 to complete the project.

INFRASTRUCTURE PROJECTS

IFR 2009B (Closeout)

The General Manager reports that construction is complete and final payment and closeout remain.

IFR 2010A O'Donnell Area, W.W. Business Park (paving status)

The General Manager reports that there is a hold on all paving. The Warwick Sewer Authority will not be out there this year. There is a proposed cost share agreement in the materials. He asked Mr. Sullivan to review and advise.

Mr. Gallucci reports that he soon will be addressing legislation regarding revenue bonds as opposed to general obligation bonds regarding sewer construction.

IFR 2010B Prospect Hill (construction status)

The General Manager informs the board that this project is started for 2013.

Quaker Lane Pump Station Upgrade

The General Manager reports that construction has restarted with a June 2013 completion date. He recommends ratification of Change Order #2 for wall reinforcement in the amount of \$36,000.00.

It was moved by Mr. Masterson, seconded by Mr. Inman, to approve Change Order No. 2 in the amount of \$36,000.00 for wall reinforcement.

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

VOTED: That Change Order No. 2 in the amount of \$36,000.00 for wall reinforcement is hereby approved.

Tech Park Storage Tank Painting

The General Manager reports that the tank has been painted, and the work should be inspected on or about June 3, 2013. The tank will be filled and chlorinated at some point thereafter.

Water Street Replacement

The General Manager reports that the water line replacement portion of this job is complete. Final payment remains.

Apponaug Circulator Water Replacement

The General Manager reports that the design has been completed and is being forwarded to the RIDOT. The design will be included in their construction contract and the IFR funds will be set aside for expected work in the 2014 construction year.

Miscellaneous

Mr. Brown indicates that the budget will be presented at the next meeting in June. He indicates that medical coverage is up by five (5%) percent. An increase in demand is unlikely. In addition, there will be a short-term spike in pension contributions, which should subside in the following years.

Pension Review; Summit Financial

Doug Johnson and Jason Denton from Summit Financial appeared before the board to discuss the pension fund and its performance.

Mr. Denton, the actuary, discussed the Actuarial Funding Valuation for plan year beginning January 1, 2013. He discussed the summary of key results over the last three years, including the 2008 asset drop up to the recovery in 2013. He discussed how losses and gains are spread over five years.

Mr. Inman asked how the fund compares with other similarly situated agencies. Mr. Denton reports that the pension is funded at an above average level, mid seventy to eighty (70%-80%) percent.

Mr. Denton goes on to report that there are changes in pension plan accounting that will take place in 2015 from a cost v. contributions analysis to a liabilities v. assets analysis.

Mr. Johnson the presented an asset allocation review. He reports that the fund is allocated with sixty (60%) percent in equities and forty (40%) percent in fixed investments. He recommended that the board move its exposure from the Goldman Sachs Commodity Metals fund to the Global Real Estate fund.

It was moved by Mr. Inman, seconded by Mr. Masterson, move its exposure from the Goldman Sachs Commodity Metals fund to the Global Real Estate fund
Upon Motion made, and duly seconded, and unanimously voted,

VOTED: That Summit Financial move the pension fund's stake from the Goldman Sachs Commodity Metals fund to the Global Real Estate fund.

Mr. Johnson and Mr. Denton concluded the update by reporting that the fund is doing well and they predicted the same to continue, and the fund is expected to be seventy eight (78%) percent funded by next year.

There being no further business before this meeting, on motion duly made, seconded and carried, the meeting was adjourned at 5:03 p.m.

Dated: June 5, 2012

Legal Counsel