

KENT COUNTY WATER AUTHORITY

MINUTES OF THE REGULAR MEETING  
OF THE BOARD

October 17, 2019

A meeting of the Board of Directors of the Kent County Water Authority was held on the 17<sup>th</sup> day of October 2019, at 3:30 p.m. at the offices of the Authority in West Warwick, RI, in the Joseph D. Richard Board Room.

Vice Chairman Joseph Gallucci opened the meeting at 3:30 p.m. Board members, Secretary Scott Duckworth, Russell Crossman, Jeff Giusti, Brian Kortz and Geoffrey Rousselle were all present together, along with Executive Director/Chief Engineer David L. Simmons, Legal Counsel Patrick J. Sullivan, Esq., Director of Administration John Duchesneau and Director of Human Resources and Finance Michael Lanfredi. Rate Counsel Mary Shekarchi was also in attendance. Mr. Crossman led the group in the pledge of allegiance.

**APPROVAL OF THE MINUTES**

The minutes of the regular board meeting held on September 19, 2019 were presented for approval. Mr. Rousselle moved, seconded by Mr. Kortz, to approve the minutes. The minutes were approved unanimously. Mr. Duckworth recused from the vote.

**Guests:**

Hague, Sahady & Co. Review Audit Year Ending June 30, 2019

Mr. Gallucci introduced the representatives from the accounting firm. Carol Lees, CPA addressed the board. She thanked Mr. Lanfredi for the assistance of his department. She began with some challenges they discovered in the capital asset account, but said the audit was overall a smooth and successful event. She said it was a favorable audit overall.

She reviewed the opinion of the financial statements. She said the opinion was a clean opinion and was an unmodified report. She discussed the details of the audit conclusions with the board. She went on to compare the last years audit with the current audit.

Ms. Lees went on to discuss the correction of the capital assets from being overstated. She said some of the assets were removed. She went on to discuss the new accounting standards applicable to this audit and the OPEB and the net pension liability. She said that the pension

funding increase over last year, being at 87.24%. She concluded with the fact that there were no unusual transactions, and no fraud or illegal acts.

Mr. Kortz asked her to explain the capital asset reduction as did Mr. Rousselle. There was a general discussion of the corrections made to the asset account.

## **Legal Matters**

Mr. Sullivan updated the board on the encroachments by the owners of the neighboring properties in the Timber Trail area. Mr. Sullivan and Mr. Simmons said an inspection of the area of Timber Trail showed an ATV track and other improvements of the land owned by KCWA in the area. Mr. Sullivan said he sent out a demand letter to remove the material and restore the area to its prior state. He said he gave them 30 days to do so.

Next, Mr. Sullivan advised the board that there appeared to be no easement for the Town of Coventry to place an existing sewer pipe over land near Monroe Drive owned by KCWA. He said he sent over a letter asking for evidence of the easement. He said he could not find one in the land evidence records. He awaits their response.

Mr. Sullivan then discussed the bankruptcies of Mr. Wagner and Mr. Tworog. He said he was monitoring both as they have to do with KCWA attempting to collect potentially pre-petition amounts in violation of the automatic stay. He said National Grid is facing the same issue with Tworog. He will keep the board advised.

Finally, he updated the board about the progress of the Licker case. He said he spoke to the prosecutor about restitution and he promised to keep his office informed.

## **PUC/DPUC Legal Counsel**

### PUC Compliance Filing Docket 4611 – Extension Filed

Mr. Simmons introduced Ms. Shekarchi, Rate Counsel. Mr. Simmons discussed the settlement of the most recent rate case. He said part of that settlement contained a compliance filing to assess the funding needs of the meter replacement program. The compliance filing was due on or before October 1<sup>st</sup>, 2019. He said KCWA had excess funds and KCWA reached out to DPUC in September. He said KCWA wanted to use the excess funds to benefit the large meter customers with meters three inches or greater that have small bypass meters which contributed to the program funding but are not receiving new meters. It was briefly discussed what was presented to the DPUC and PUC. Replacement of the Unitized Measuring Elements (UME) on older meters within the large meter category could be accomplished using the excess monies accrued. Mr. Simmons wanted to extend the compliance filing to study the issue further. He said there would be a decision on the request for the extension tomorrow. The request was for February 1, 2020.

Mr. Simmons explained that there were cost savings using Neptune Technology Group, KCWA's current meter vendor, in the meter replacement project, as not all meters needed replacing. There are cost savings in not having to purchase new meters for locations that already have the latest generation metrology and also savings on the installation cost that will not need to occur at those locations. The total estimated saving is approximately \$700,000 dollars.

Mr. Simmons also discussed 2012 series A bond defeasance. The DPUC staff was interested in the viability of an early payoff using monies available within the various restricted accounts and potential savings the rate payers. He discussed the potential benefits of the early payoff of the bond and borrowing from existing funding. He stated that due to financial obligations based on the covenants of existing bond documents certain restricted accounts could not be accessed to assist in the payoff. KCWA is required to maintain funding in restricted accounts for existing bond holders on the 2017 Series A bond. As a result, KCWA would essentially have to fund a large portion of the payoff out the CIP account which KCWA is currently committed to a 9 plus million dollar contract for the North/South interconnect. The CIP project is slated to be completed in 2021 but it was unsure if the catch up on payments would be fast enough to meet the obligation after a payoff occurred. Other CIP projects that are being reviewed such as EG Well treatment and the new office and maintenance facility are also going to need some up-front funding. He said he would wait for the full analysis before any action is requested from the board.

#### Quonset Development Corp.

Mr. Simmons then informed the board about the letter received from the QDC. He said the Chairman was in favor of the request to sell water to Quonset. He reminded the board that they cannot set rates but thought there was an opportunity there.

Mr. Rousselle thought the industrial base was valuable and supported exploring this. Mr. Duckworth was knowledgeable about the area and discussed the benefits of the sale of KCWA water to QDC and thought it was a tremendous opportunity.

Mr. Simmons discussed the impact of the Hunt river depletion and said there has to be a cost of service, cost analysis and then a potential different rate may be arrived at.

Mr. Gallucci and other board members discussed the labor relations portion of the potential arrangement using their employees. Mr. Simmons said QDC's average daily use was 600,000 gallons/day and that they would be a welcome addition to the KCWA system to help reinvigorate its industrial base that has been lost. He said that he will be setting up a meeting with QDC and our rate attorney and consultant to get the conversation started before approaching the PUC.

## **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 2018-2019 as of September 2019 and Statement of Revenues, Expenditures, and Changes in Fund Balance as of September 2019, attached as exhibit "A", and a thorough discussion ensued with regard to the sales and revenue.

The Chairman asked if the tariff increase made up for the industrial loss, and Mr. Lanfredi agreed that it did. There was also a general discussion of lost water and the cost.

Mr. Gallucci moved, seconded by Mr. Rousselle, 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 2018-2019 as of September 2019 and Statement of Revenues, Expenditures, and Changes in Fund Balance as of September 2019, attached as exhibit "A", be approved as presented and be incorporated herein and are made a part hereof.

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

### **GENERAL:**

#### **Entry Level Laborer**

Mr. Simmons discussed the travel of Mr. Charles Hopkins application. He said he recommends the conditional offer of employment to Mr. Hopkins.

Motion was made by Mr. Duckworth, seconded by Mr. Crossman, to extend a conditional offer of employment to Mr. Hopkins subject to the terms and conditions contained in the employee handbook at \$19.12 per hour.

Motion made and duly seconded, it was unanimously

VOTED: That KCWA shall extend a conditional offer of employment to Mr. Hopkins subject to the terms and conditions contained in the employee handbook at \$19.12 per hour.

#### **Hydraulic Model Update**

Mr. Simmons said the Director of Engineering and Technology, Alisa Morrison, is working with Pare Engineering Corp rebuilding the model from the ground up to integrate and align with our GIS system. He said Pare Engineering has most of the data and they are working through it.

### **Meter Replacement Project, Status – Report of Progress**

Mr. Simmons advised the board that the project was ongoing. He said there were data issues on our end. He then discussed the implementation with customers who do not respond.

## **INFRASTRUCTURE PROJECTS**

### **IFR 2018 Construction Update, WW Centerville Bridge no. 28, Warwick, Division Fairmount, Shady Glen, Hilltop Spencer, Beverly and Berkley**

Mr. Simmons said the construction has been completed on the project with the exception of Larchmont being replaced as part of a change order and final paving which will occur next year. He said Larchmont should be complete by mid to late November.

### **Old Read Schoolhouse and Tiogue Tank Demolition Contract Review**

Mr. Simmons said he recommended Vinagro to demolish the tanks. He said they had received a very reasonable bid in the amount of \$275,840.00.

Mr. Duckworth moved, seconded by Mr. Rousselle, to award the bid to Vinagro.

Motion duly made and seconded, it was unanimously

VOTED: That the bid award for the tank demolition is awarded to Vinagro in the amount of \$275,840.00.

## **CAPITAL PROJECTS**

### **Water Main North/South Interconnection High Service Coventry Main St, Leader, Old Main St, Sandy Bottom, Tiogue @ Gilles**

Mr. Simmons said the project was progressing smoothly. He said Sandy Bottom Rd. was already done and 700' on Main St. was done. He said they were hoping for good weather to continue into the season.

**Board Action RFP Award – Professional Architectural Engineering Services for Evaluation and Analysis of New Office and Maintenance Facility**

Mr. Simmons explained this topic to the board as preliminary steps required in the road to a new facility. He said there is an existing 1999 report that is outdated and DPUC wants another report. He recommended Vision 3 Architects in the amount of \$89,610.00.

Mr. Duckworth moved, seconded by Mr. Rousselle, to award the RFP to Vision 3 Architects in the amount of \$89,610.00.

VOTED: That KCWA awards the RFP Professional Architectural Engineering Services for Evaluation and Analysis of New Office and Maintenance Facility to Vision 3 Architects in the amount of \$89,610.00.

There being no further business before this meeting, on motion duly made by Mr. Crossman, seconded by Mr. Rousselle and carried, the meeting was adjourned at 5:15 p.m.

Dated: November \_\_\_\_\_, 2019

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Patrick J. Sullivan  
Legal Counsel