

KENT COUNTY WATER AUTHORITY

MINUTES OF THE REGULAR MEETING
OF THE BOARD

April 21, 2016

A meeting of the Board of Directors of the Kent County Water Authority was held on the 21st day of April 2016, 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. Board members Vice Chairman Masterson, Treasurer Joseph Gallucci, Secretary Edward Inman and Mr. 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 Administration, Finance Director Jo-Ann Gershkoff and Treatment Manager/Water Project Engineer Dave Simmons. Mr. Masterson led the group in the pledge of allegiance.

APPROVAL OF THE MINUTES

The minutes of the regular board meeting of March 17, 2016 and the special meeting of April 5, 2016 were presented for approval. Mr. Giorgio moved passage, seconded by Mr. Inman and both sets of minutes were unanimously approved.

LEGAL MATTERS

Legal Counsel Mr. Sullivan reported the Center of New England ongoing receivership. There was no activity to report on this.

He then spoke of a motion to compel production of documents on the KCWA v. Colbea matters. There was a control date in early May, 2016. There have been no responsive documents as of yet to the discovery requests.

He then spoke on the ongoing case of KCWA v. CCFD. Mr. Sullivan had originally placed this on the agenda for executive session as he was promised a proposal to pay the judgment in installments. He had not received anything so there was no need to proceed in executive session. Mr. Sullivan advised the board that the case was appealed to the supreme court by the fire district. Mr. Sullivan suggested to the board that he continue the collection of the judgment, as it is the responsibility of the judgment debtor to ask for a stay from the Superior Court. The board did not stop the collection and urged Mr. Sullivan to march on.

Mr. Sullivan updated the board with respect to KCWA v. Coventry Fire District. He said the agreement that was approved by the board was signed, and an original is in the KCWA vault. Mr. Brown added that their first payment due under the agreement had been timely paid. Mr.

Sullivan said he had the motion pending and he would allow it to pass the following court date.

Director of Finance Report:

Mr. Brown explained and submitted the financial report. Cash Receipts and Disbursements FY 2015-2016 as of March 2016, and statement of cash location 2015-2016, attached as exhibit "A", were submitted and a thorough discussion ensued with regard to the sales and revenue.

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 and Cash Receipts and Disbursements FY 2015-2016 as of March 2016, attached as exhibit "A", be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege and Communication

Mr. Inman said he had come across the new town manager for Coventry. He said the manager had brought up the Center of New England problems. He said that he was trying to resolve the situation at CONE and was willing to sit down to go over possible resolutions. Mr. Brown said he had spoken to Attorney Gorham about CONE and that Mr. Brown didn't think the manager knew how truly complicated that situation was.

Mr. Masterson queried whether or not there were any interveners in the rate filing case yet. Mr. Brown said it only got docketed that day, and it was too early for that.

GENERAL MANAGER/CHIEF ENGINEER'S REPORT

GENERAL:

Bid Review and Awards

IFR 2015B

Mr. Brown advised the board that there were four bids received for the IFR 2015B infrastructure improvements. He recommended that the board award the bid to the lowest responsible eligible bidder, Boyle & Fogarty in the amount of \$5,897,753.50.

Mr. Masterson moved, and seconded by Mr. Giorgio, to award the bid to the lowest responsible eligible bidder, Boyle & Fogarty in the amount of \$5,897,753.50.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That KCWA award the bid to the lowest responsible eligible bidder, Boyle & Fogarty in the amount of \$5,897,753.50.

IFR East Greenwich Well Refurbishment Contract

Mr. Brown advised the board that there was only one bid received. He advised that the bidder, Hart Engineering Group, came in at twice the estimate. He urged the board to reject the bid.

Mr. Masterson moved, and seconded by Mr. Gallucci, to reject the only bid of Hart Engineering Group.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That KCWA reject the only bid of Hart Engineering Group.

Cardi Corporation Outstanding Billings

Mr. Brown updated the board on Cardi Corporation's two outstanding bills for damage caused by construction activities. He said he recommended the matter be turned over for collection to Attorney Sullivan.

Mr. Masterson moved, and seconded by Mr. Gallucci, to turn the Cardi collection matter over to Mr. Sullivan.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the Cardi Corporation collection matter shall be referred to legal counsel.

INFRASTRUCTURE PROJECTS

Apponaug Circulator Water Main Replacement (Winter Shutdown)

Mr. Brown informed the board that this project remains ongoing with KCWA monitoring the work.

East Greenwich Well Refurbishment

Mr. Brown reported that this was discussed earlier.

IFR 2014A

Mr. Brown informed the board that this construction is ongoing.

IFR 2014B

Mr. Brown informed the board that construction is ongoing.

IFR 2015A Spring Construction Start

Mr. Brown informed the board that the construction is to begin May 18, 2016.

IFR 2015B

Mr. Brown said the bid was awarded previously in the meeting.

IFR 2016 Design (Project Status)

Mr. Brown advised that this project is still in design.

IFR System Structure Demolitions (Set Bid Date)

Mr. Brown advised that the bid opening is set for May 5, 2016.

CAPITAL PROJECTS

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

Mr. Brown indicated that this project is ready for DEM submission.

GUESTS

Mr. Joe Bonasera, Summit Financial, Pension Review

Mr. Brown introduced Mr. Bonasera and described the event as a due diligence meeting.

Mr. Bonasera began the discussion of the investment policies and how it benchmarks against other plans. He went on to discuss the defined benefit plan and how it is funded. He said with social security, this type of plan allows employees to enjoy a comfortable retirement.

He said the actuary ensures the funding of the plan is sufficient. He described the investment policy as 60% diversified equity portfolio and 40% fixed income. He said this is the typical asset allocation in 80% of plans like KCWA has. He discussed the impact China had on the international equity portfolio and discussed the performance of the fund.

Mr. Bonasera then discussed the concept of smoothing with the board, which spreads gains and losses over a period of time so as to stabilize the gains and losses.

He said the fund performance as of March 31, 2016 was up about 2.5%. He said the

annual required contribution by KCWA to the fund dropped to \$243,161.00 for 2016, which was lower than 2015. He went on to say that the plan assets decreased 1.76%. Mr. Brown commented that the actuarial value had gone down. Mr. Bonasera agreed with Mr. Brown, then discussed the effect of smoothing on the plan.

Mr. Bonasera went on to discuss the funded ratio. He said the largest 3000 defined benefit plans are 80-85% funded and KCWA was right there. He said it was very well funded.

He then went on to discuss the future of the markets, and oil prices as they may affect the future performance.

Mr. Inman had several questions for Mr. Bonasera, including the fees that are billed to the plan. Mr. Bonasera replied that as assets fluctuate, so do fees. He replied to Mr. Inman that the fees are less than \$30,000.00. Mr. Gallucci replied that the fees are paid no matter what happens with the fund.

Next, Mr. Bonasera discussed combining the defined benefit and the 457(b) plan, but that would affect some grandfathered rights to members of the 457(b). Mr. Brown advised the board that the new members are not affected by the grandfathered portions of the 457(b), and there is no guaranteed rate calculation.

There was discussion of the benefits paid out to the employee at retirement. Mr. Brown inquired regarding a recent change to mortality tables, that some people are living shorter lives. Mr. Bonasera said women are living shorter lives, and the tables are adjusted automatically. Mr. Brown had additional questions regarding the summary of plan provisions that were answered by Mr. Bonasera. He also asked about the three funding ratios contained in the plan summary; Mr. Bonasera said the market value of assets was the one to use to describe the actual funding ration.

Mr. Inman opined, and agreed to by the other members of the board, that the fund is a solid fund, and the employees should be happy to have this strong of a pension fund.

The board thanked Mr. Bonasera for his presentation.

EXECUTIVE SESSION: Pursuant to RI GL 42-46-5(a)(1) Employee Performance Review, Employment Issue

The chairman then read the agenda item above and asked for a motion to go into executive session.

Chairman Boyer advised Yadira Martinez that she was previously notified on April 12, 2016 of this meeting (notice attached hereto) and it was her option to have the discussion conducted in closed or open session. She elected closed session

Mr. Masterson moved and seconded by Mr. Giorgio that the board move into executive session for discussion of the aforementioned employee performance review.

Upon Motion duly made and seconded, it was unanimously, by roll call vote,

VOTED: That the board move into executive session for discussion of the aforementioned employee performance review.

The board goes into executive session at 4:35 p.m.

Mr. Giorgio moved and seconded by Mr. Masterson that the board exit from executive session.

Upon Motion duly made and seconded, it was unanimously, by roll call vote,

VOTED: That the board exit from executive session.

At 4:40 p.m. the board emerges from executive session and resumes open session.

Mr. Masterson moved, seconded by Mr. Gallucci, that the minutes of the executive session meeting shall remain under seal pursuant to RIGL 42-46-4 and 42-46-5.

Upon motion duly made and seconded, it was unanimously, by roll call vote,

VOTED: That executive session minutes of the meeting shall remain under seal pursuant to RIGL 42-46-4 and 42-46-5.

Mr. Sullivan reports for the record that a vote was taken in executive session to extend employee Yadira Martinez a permanent position of employment with KCWA.

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

Dated: May ____, 2016

Patrick J. Sullivan
Legal Counsel