

KENT COUNTY WATER AUTHORITY

MINUTES OF THE REGULAR MEETING
OF THE BOARD

May 17, 2018

A meeting of the Board of Directors of the Kent County Water Authority was held on the 17th day of May, 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. Mr. Gallucci led the group in the pledge of allegiance.

APPROVAL OF THE MINUTES

The minutes of the regular board meeting held on April 19, 2018 were presented for approval. Mr. Giorgio moved, seconded by Mr. Duckworth, to approve the minutes. The minutes were unanimously approved.

Guest: Summit Financial Corp. Pension Review

Mr. Brown introduced the representatives of Summit Financial, Jason Denton and Doug Johnson. Mr. Denton began a presentation to the board. He indicated that the contribution of the KCWA would grow by \$40,000.00 from \$220,000.00 to \$260,000.00 this year. He advised the board that the assumed side of the asset return was dropped last year from 7.25% to 7% by the board. In addition, he said the mortality table annually updated by the IRS impacted the contribution as well. He also discussed the concept of smoothing the ups and downs of investments returns over time. He went on to say that the pension fund was 86% funded last year and characterized it as very well.

Mr. Denton went on to discuss the summary of key results from the assets and liabilities, indicating that the market value of assets was \$6.2 million. He went on to discuss plan assets, plan liabilities and funding ratios.

Mr. Brown and Mr. Denton discussed dropping the assumption discount rate even lower than 7%, and Mr. Denton suggested that the current rate is a reasonable long term rate. Mr. Duckworth asked about the outlook ten years from today, based upon the ages of retirees current and future. There was a discussion about the percentage of payroll. Mr. Denton discussed the current GASB rules and said now the rules require inclusion of the value of retiree health care benefits. Mr. Brown reminded the board that they created a trust for OPEB.

Mr. Gallucci discussed the fact that we are an aging population living longer and changing demographics of the population and asked the representatives of Summit Financial to take those facts into consideration in their reports.

Mr. Brown discussed historical funding of pensions, saying KCWA at one time budgeted annuities for retirement. He said that policy was abandoned and we corral the funds now, with controlling benefits and providing no COLA keeps it funded.

Chairman Boyer asked about the social security wage base. Mr. Denton explained the maximum salary that is subject to social security deductions.

Mr. Johnson began a discussion of the asset allocation. He said sixty percent was in a diversified equity mix and forty percent in a fixed income asset. He went on to discuss allocation of investments into large cap, medium cap and small cap investments. He discussed investment strategy, international markets and corporate bond funds. He discussed 2017 goals and changes in portfolio and performance. He said he had no recommendations for changes or tweaks. He said he was satisfied where the fund is now, using the first quarter of 2018 as an example. He said the rate of return was 13.9%.

Mr. Brown asked how this fund was in relation to other defined benefit plans with respect to valuation. Mr. Johnson said that the more conservative the investments, the lower the funding ratio and he defined the top groups at funding at 80% plus.

The Chairman discussed his opinion on how satisfied he is with the plan and the funding ration and asked if their benefit offerings are above average. Mr. Johnson said the plan benefits are average. The Chairman then thanked the Summit Financial representatives and excused them.

Starkweather and Shepley Review and Approval of Health Care Benefits & Workers Comp. Coverage

David Deblois appeared and was introduced by Mr. Brown. He passed out a book and began a discussion of health care comparisons and the Affordable Care Act. He said the Blue Cross plan currently in place at KCWA had a 10.8% increase this year. He said one option was to increase the deductible for the employees from \$500.00 to \$1000.00 dollars. He said that United was a 16.3% increase in premium. He then began a discussion of a new blue cross product which

is an HMO plan for the NE states. He said it would result in a savings of 2.8%. He touted the medical care in NE and advised that it is the most accessed health care system in the nation.

There was a general discussion between Mr. Duckworth, Mr. Masterson and Mr. Deblois regarding out of network benefits, health reimbursement accounts, and other options for health care. Mr. Masterson agreed that if you have all of NE for access to health care, you have all you need. Mr. Duckworth thought the trend was for companies with generous plans to move to higher deductible plans.

Mr. DiOrio said that there was a 7.% reduction in the premiums for the health care for retirees.

He then discussed dental. He said the blue cross plan increased its premium by 3.3%. He added that if the board stayed with the current plan in a multi year agreement, it would result in no increase in year one, with caps on increases in years two and three.

Mr. DiOrio said there was no increase in the long term disability plan as well as the life insurance product and the accidental death and dismemberment policies.

Legal Matters

Mr. Sullivan discussed the litigation entitled *Conservation Law Foundation v. KCWA and Burrillville v. KCWA* (PC2017-1037 and PC2017-1039). He discussed the progress of the case and the developments since the last meeting. There has still been little activity on this matter. He opined that this case should be decided in summary judgment and felt that the case may end shortly.

The matter *KCWA v. Cardi Corp, et al* (KC 2016-0473) was settled and funded and the only thing left to do was file the agreed upon stipulation.

Mr. Sullivan then discussed the matter of the receivership at Center of New England. He said he is monitoring the case closely as the expansion of water is being discussed more and more by representatives of Coventry and the receiver especially at the Highlands at Hopkins Hill. He said there is a hearing on a settlement/consent order between the receiver and the Town of Coventry regarding a tax treaty and other matters at the end of June.

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 2017-2018 as of April 2018 and Statement of Revenues, Expenditures, and Changes in Fund Balance

as of April 2018, attached as exhibit “A”, and a thorough discussion ensued with regard to the sales and revenue.

Mr. Gallucci moved, 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 Cash Receipts and Disbursements and Statement of Cash Location FY 2017-2018 as of April 2018 and Statement of Revenues, Expenditures, and Changes in Fund Balance as of April 2018, attached as exhibit “A”, be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege & Communication

Mr. Duckworth thanked the board for hearing the Coventry residents last month in his absence.

GENERAL MANAGER/CHIEF ENGINEER’S REPORT

GENERAL:

Warwick Water, Forge Rd. Meter Pit Repair – Backflow Preventer Installation

Mr. Brown advised the board that he cannot get any answers from the City of Warwick. He said they still haven’t done the repairs, notwithstanding the fact that they have the parts.

Utility Conflict King Fisher & Osprey Drive, Coventry

Mr. Brown updated the Board on this matter. There was a general discussion and that the drains were put in by the town of Coventry. Mr. Duckworth said he would continue to look into it.

Valley CC

Mr. Brown said there was a hearing on May 9, 2018 on this matter. He said they settled the matter before the hearing and he had forwarded the terms of the settlement to the board.

Mr. Duckworth moved, seconded by Mr. Crossman, to settle Valley CC v. KCWA D18-01 for \$40,000.00 payable over three years being fully paid by January 2021.

Upon motion made and duly seconded, it was unanimously

VOTED: That KCWA shall settle the case of *Valley CC v. KCWA* D18-01 for \$40,000.00 payable over three years being fully paid by January 2021.

Change Order #1 Mishnock Area Transmission Main Balancing CO Approval

Mr. Brown said there was a reduction in the cost of the project that resulted in the need for a balancing change order.

Mr. Giorgio moved, seconded by Mr. Duckworth, to approve a balancing change order in the Mishnock Area Transmission Main in the amount of \$312,569.09.

Upon motion made and duly seconded, it was unanimously

VOTED: That KCWA approves a balancing change order in the Mishnock Area Transmission Main in the amount of \$312,569.09.

Security Improvements Front Office – Board Direction

Mr. Brown proposed security improvements and discussed specific recommendations. He said he would like to build a wall out front with a window and a steel door. He suggested the side door have a buzzer and have it reinforced. He suggested KCWA do the renovation as the prices he obtained were expensive.

Board Review of Elimination of Cash Payments – Approval and Date of Initiation

Mr. Brown said the availability of acceptance of cash payments posed a security risk. If there were no cash payments, this would also enhance security. Chairman Boyer discussed how much cash is taken in on a daily basis. Mr. Brown said the cash is picked up at the end of each day by Washington Trust. Mr. Brown suggested that a mailer could be put in every bill and suggested September 1, 2018 would be the date to begin the procedure.

Mr. Duckworth moved seconded by Mr. Giorgio to discontinue the collection of cash for payment of customer bills effective September 1, 2018.

Upon motion duly made and seconded it was unanimously

VOTED: That KCWA shall discontinue the collection of cash for payment of customer bills effective September 1, 2018.

Bid award utility body/truck to replace truck number three

Mr. Brown advised the board that the money for the truck was in the budget. He said they received one bid from Minuteman trucks that met the specifications. It was within the budget price at \$93,195. They also offered \$3500 for trade-in, making the cost \$89,695.

Mr. Masterson moved second by Mr. Giorgio to approve the bid for the utility body/truck to Minuteman trucks in the amount of \$89,695.

Upon motion duly made and seconded it was unanimously

VOTED: That KCWA approves the bid for the utility body/truck to Minuteman trucks in the amount of \$89,695.

INFRASTRUCTURE PROJECTS

East Greenwich Well Refurbishment

Mr. Brown reported that the well motor was disconnected and debris was found in the pump. He said they were working on the generator the day of the meeting and the day after. He thought the contractor was fighting for KCWA rights.

IFR 2015A

Mr. Brown reports that paving was ongoing with Cardi grinding the roads.

IFR 2015B

Mr. Brown reported that the project is ongoing.

IFR 2016 Design (Project Status)

Mr. Brown updated the Board that this was on hold for funding and was a three phase project.

IFR 2018 Design

Mr. Brown reported that design is in and the project is going out for bid.

CAPITAL PROJECTS

Water Main North/South Interconnection High Service

Mr. Brown reported that the design was done and the project still awaited funding as the total cost would be \$12 million.

Executive Session – 42-46-5 (a)(2) relating to discussions of litigation KCWA v. DeCubellis K2013-0270

Mr. Duckworth moved and seconded by Mr. Giorgio that the board move into executive session for discussion litigation pursuant to RIGL 42-46-4 and 42-46-5(a)(2)

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

VOTED: That the board moved into executive session for discussion of litigation, pursuant to RIGL 42-46-4 and 42-46-5(a)(2).

The board goes into executive session at 4:59 p.m.

At 5:30 p.m. the board emerges from executive session and resumes open session.

Mr. Duckworth moved and seconded by Mr. Giorgio that the board exit from executive session and that the minutes of the 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 the board the board exit from executive session and that the minutes of the meeting shall remain under seal pursuant to RIGL 42-46-4 and 42-46-5.

Mr. Sullivan announces that a vote was taken in executive session to settle the litigation of KCWA v. DeCubellis K2013-0270 for no financial compensation and under the following terms:

1. That the Plaintiff Kent County Water Authority (“KCWA”) shall perform the following matters:
 - a. Re-dig the curb box and connect Defendant DeCubellis’ service line to the curb stop through a temporary backflow preventer for flushing the service line;

- b. chlorinate DeCubellis' service line from the curb stop to the house; and upon acceptable chlorination results permanently connect service to stop and;
 - c. Upon disconnection of internal wells, activate service.
2. Defendant Gregory DeCubellis shall perform the following matters with all deliberate speed:
- a. hire a licensed plumber to perform all plumbing work within the home to install the meter, facilitate disinfection and testing, and disconnect the wells and permanently cap them at the time of meter installation;
 - b. test and verify the service line disinfection by two different negative samples 24 hours apart;
 - c. pay for a meter. (DeCubellis will not be required to reapply for the meter as KCWA will use the meter application that DeCubellis has on file at KCWA); and
 - d. be responsible for any plumbing permit requirements.

There being no further business before this meeting, on motion duly made by Mr. Duckworth, seconded by Mr. Giorgio and carried, the meeting was adjourned at 5:35 p.m.

Dated: June ____, 2018

Patrick J. Sullivan
Legal Counsel