

KENT COUNTY WATER AUTHORITY

MINUTES OF THE REGULAR MEETING
OF THE BOARD

May 19, 2022

A meeting of the Board of Directors of the Kent County Water Authority was held on the 19th day of May 2022, at 3:30 p.m. at the offices of the Authority in West Warwick, RI, in the Joseph D. Richard Board Room in person and via Zoom pursuant to the Governor's executive order.

Chairman Boyer opened the meeting at 3:30 p.m. Board members Vice Chairman Jeff Giusti, Treasurer Scott Duckworth and Secretary Russell Crossman were all in attendance along with Executive Director/Chief Engineer David L. Simmons, Director of Administration John Duchesneau, Legal Counsel Patrick J. Sullivan, Esq. and Director of Human Resources and Finance Michael Lanfredi. Water Project Engineer Nicole Campagnone was also in attendance. Mr. Kortz arrived shortly after the meeting began.

Chairman Boyer led the group in the pledge of allegiance

APPROVAL OF THE MINUTES

The minutes of the regular board meeting held on April 21, 2022 were presented for approval. Mr. Duckworth moved the minutes approval, seconded by Mr. Giusti. The minutes were approved unanimously.

Guest:

Summit Financial Group, Due Diligence Pension Review
Action Item – Contribution Funding Level for FY 23

Jason Denton was introduced by Mr. Simmons from Summit Financial Group. He said Joseph Bonasera was running late. He began delivering the condition of the KCWA pension fund. He reviewed the actuarial report as of 1/1/2022. He reviewed the pension fund elements and benefits, which was 1.25% of pay times the years of service. He discussed the fund's provision for higher paid employees for a kicker since the benefit coincides with the lack of social security benefits.

Mr. Denton summarized key results of the fund. He summarized the changes from the prior fiscal year. He said 2021 asset return was very strong, as was the prior year. He discussed the act of asset smoothing over the years to minimize the impact of poorer years. He said 2022 assets are valued down, so smoothing will assist if it lasts.

Mr. Simmons asked about a potential market crash. Mr. Denton explained what the bond component would do in such a case. He said the fund is 97% funded and in quite a strong position.

Chairman Boyer asked about disability benefits if disabled on the job. Mr. Denton said there is no change in benefits for a disability, but Mr. Lanfredi said there is a \$50k disability benefit per person.

Mr. Denton went on to show a 3-year comparison of assets and liabilities. In 2019 the asset value was \$6 million. Today it is worth \$8.3 million as of 1/1/22. He discussed the plan participation, indicating \$400k paid out each year, or approximately 5% of plan assets. He discussed the key valuation measurements and the development of the actuarial value of the assets.

Mr. Giusti asked if there were any recommendations for change. Mr. Denton said right now, no recommendations for change. He said they estimated the annual 2022 contribution to be set at \$276,791.00.

Mr. Giusti moved, seconded by Mr. Duckworth, to approve the deposit of \$276,791.00 into the pension fund.

Mr. Kortz asked Mr. Simmons if that was his recommendation. Mr. Simmons answered in the affirmative.

Motion made and duly seconded, it was unanimously

VOTED: That the KCWA board approves the deposit of \$276,791.00 into the pension fund.

Mr. Denton went on to the investment side of the discussion, indicating he was not an investment consultant, as Mr. Bonasera had not yet arrived. He said the 60% equities to 40% bond ratio continues. He discussed the fund's performance last year. He said there was a gain of 11.85% over the year. He said the fund paid out \$425k. He cautioned, however, that bonds were negative across the board. He said commodities gold and silver were positive. He said Q1 of 2022, the fund was down 6%.

Mr. Denton went onto discuss the value, blend and growth components of the fund.

Mr. Bonasera arrived at 4:00 p.m. and took over the discussion. He said he recommended to take 2% from the large cap and add to the Vanguard Value Index fund. He said the inflation index is about 8% now. He said the supply chain inflation should end at the end of the year.

He also recommended moving Vanguard Real Estate fund (2%) to Pimco Commodity.

Mr. Simmons asked his opinion on a recession in the US soon. Mr. Bonasera discussed the event of a recession, and what is required for a recession. He discussed the yield curve and what is required for the recession. In the end, he said he didn't think all the stars would align for a recession. He discussed the invasion of Ukraine and the China Covid Supply Chain problem.

Mr. Bonasera went on to say that KCWA has done all the right things. He went on to discuss the bond market, indicating when interest rates go up, bonds go down.

Mr. Duckworth moved, seconded by Mr. Crossman, to move 2% from large cap and add to Vanguard Value Index, and to move 2% from Vanguard Real Estate to Pimco Commodity.

Motion made and duly seconded, it was unanimously

VOTED: That the KCWA authorizes Summit Financial to move 2% from large cap and add to Vanguard Value Index, and to move 2% from Vanguard Real Estate to Pimco Commodity.

Legal Counsel

CONE Receivership

Mr. Sullivan updated the board on the Center of New England receivership. He said there was a continuation of a few hearings that would terminate the receivership. The judge overseeing the receivership has indicated that the receivership will terminate, either by the receiver himself, or by a committee of creditors.

TLC Encroachment on KCWA land

Mr. Sullivan discussed the encroachment by TLC onto KCWA land near the Mishnock facility was resolved, but a new survey showed additional encroachment on KCWA land. Mr. Sullivan said he has sent 2 letters to the owners and hasn't heard back yet. The most recent letter indicated that KCWA will not go away and will take the measures necessary to remove the encroachment.

Letter to House Corporations regarding House Bill 7776

Mr. Sullivan advised the board that he was contacted by Atty. Knowles, counsel for the House Corporations Committee. He was asked to opine on the House Bill H-1776. The bill would require KCWA to take over and maintain a private water system located at the Walker Ridge subdivision in Coventry. Mr. Sullivan went on to summarize the letter he sent that says the homeowners in that subdivision knew full well that the pump station was theirs, privately, and that they had to maintain it. Their title documents each homeowner received at or prior to their closings outlined this in great detail. If this private pump station were not installed by the developer, that land would not be crammed with so many houses that the water pressure wouldn't have supported. It was a sense of buyers' remorse. He added that this bill comes up each and every year.

Mr. Sullivan said the homeowner's association was required to establish a maintenance account with a minimum of \$5,000.00. It is unclear if that is complied with. Furthermore, there exists liability by the HOA if they fail to maintain the pump station. He said the maintenance is akin to a high-rise condominium, that needs a roof, or all new windows. There is a major assessment to the homeowners to fund the repairs.

Mr. Duckworth asked if this could retroactively apply. Mr. Sullivan said he doubted it as lenders and title insurers lent and insured with these guarantees in their chains of title. Mr. Duckworth said he agreed with Mr. Sullivan

Mr. Simmons said he and Richard Burns met Representative Nardone along with Kevin Rabbit and Dane Kwiatowski from HOA at the pump station. He said the facilities inclusive of the pump station, generator, and meter pit were in bad shape. Mr. Simmons said he offered all the technical assistance to the HOA, but major repairs are needed. The pump station was heavily rusted on the inside because cathodic protection was not maintained. Coatings were highly degraded throughout the station. He went onto to say there were several pipe stanchions holding the pipes that were completely rotted away. Mr. Simmons discussed that the supporting private fire service for the subdivision inclusive of the private hydrants, fire pumps, and emergency generator posed a large liability risk to all KCWA customers if KCWA was to assume responsibility and major loss was realized from failure of these systems. He went onto say that the authority has spent millions of dollars removing single points of failure and that the subdivision will add one back into the system. This differs from all other public pump stations and tanks in the system where there are multiple backups with sufficient supply to handle fire flows at all times. All customers benefit from those assets including Walker Ridge. Mr. Simmons stated that he recommended HOA to file with the Division of Public Utilities for a comprehensive review of the matter and perhaps there is way within the rate structure and handling the liability of fire protection that would be fair for all rate payers.

Mr. Kortz asked if the HOA should fund the repairs. Mr. Simmons said yes, and he felt the estimate to repair the pump station could be upwards of \$500k.

Mr. Crossman said it would be unfair to burden all other ratepayers to benefit a private water system.

Mr. Simmons said the letter from Mr. Sullivan to Attorney Knowles was placed in the portal, but there was difficulty in accessing it. He said he would email it out to the board members.

Director of Finance Report:

Closing Report March 2022 Cash 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 2021-2022 as of April 2022 and Statement of Revenues, Expenditures, and Changes in Fund Balance as of April 2022, attached as exhibit "A", and a thorough discussion ensued with regard to the sales and revenue.

Mr. Lanfredi said the cash position was high as a result of the April 29, 2022 closing on the bonds. He said collections are strong versus last year.

Chairman Boyer asked if there were still people not letting KCWA in to change their meters. Ms. Campagnone replied that there were 76 active accounts that still won't let them in. She said of the 76, 35 have appointments. She said shutoffs have begun.

Mr. Duchesneau said 116 active accounts won't be able to have their water turned on without a meter change.

Mr. Duckworth moved, seconded by Mr. Giusti, 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 2021-2022 as of April 2022 and Statement of Revenues, Expenditures, and Changes in Fund Balance as of April 2022, attached as exhibit "A", be approved as presented and be incorporated herein and are made a part hereof.

Action Item - Approval of Health Care and Dental Benefits FY23 Action Item - Approval of Insurance Coverages; Workers Compensation, General Liability/Property/Auto, and Life/LTD/AD&D FY23

Mr. Lanfredi went over the insurance choices he recommends for renewal.

1. Blue Cross Blue Shield Coast to Coast
 - a. 3.2% increase
2. Delta Dental
 - a. 8% decrease
3. Plan 65
 - a. 4% decrease
4. Workers Compensation to Beacon Mutual
5. General Liability/Property/Auto to RI Interlocal Trust
 - a. 2.6% decrease
6. Life/LTD/AD&D FY23. Mutual of Omaha

Mr. Duckworth moved, seconded by Mr. Crossman, to approve the insurance renewal recommendations in their entirety.

Motion made and duly seconded, it was

VOTED: That KCWA approves insurance renewal as follows:

1. Blue Cross Blue Shield Coast to Coast
 - a. 3.2% increase
2. Delta Dental
 - a. 8% decrease
3. Plan 65
 - a. 4% decrease
4. Workers Compensation to Beacon Mutual
5. General Liability/Property/Auto to RI Interlocal Trust
 - a. 2.6% decrease
6. Life/LTD/AD&D FY23. Mutual of Omaha

Point of Personal Privilege and Communication

Chairman Boyer commended Mr. Sullivan for handling the Cardi situation, and he hoped for a good outcome.

EXECUTIVE DIRECTOR/CHIEF ENGINEER'S REPORT

ONGOING PROJECTS:

Ongoing Project

IFR 2021 - Update Action Item- Approval of Change Order #8-Carlson Circle

Mr. Simmons said this project is ongoing. He said he wanted to add Carlson Circle in WW to the program. He said WW agreed in writing to pave over the road if we get the pipe in the ground this summer. He said although it was difficult to get the pipe to allocate to this project, this will save a substantial amount of money in paving costs and was worth working with the Town to make this happen.

Chairman Boyer added that the water pressure in that area is bad. Mr. Simmons stated that the pipe installation change order will not immediately resolve the pressure issues until the next IFR project was approved for construction on Cowesett Ave. This project has been designed but yet bid. However, under the change order #8 for IFR 2021, the new ductile iron pipes installed in the vicinity of Carlson Circle will be ready to connect to the future IFR without the concern of main breaks that could occur from reserVICING to higher pressure and paving that will occur by the Town.

He asked the board to approve CO No. 8 to add Carlson Circle in the amount of \$1,126,034.00.

Mr. Duckworth moved, seconded by Mr. Crossman, to approve CO No. 8 to add Carlson Circle in the amount of \$1,126,034.00.

Motion made and duly seconded, it was unanimously

VOTED: That KCWA approves CO No. 8 to add Carlson Circle in the amount of \$1,126,034.00.

Meter Change Out Program – Update

Ms. Campagnone had updated the board previously in the meeting. Mr. Simmons said he was selling surplus meters to other communities, including Hingham, MA, Warwick, and East Greenwich.

Letter to West Warwick TC -Paving partnership agreement- Carlson Circle.

Mr. Simmons said he sent a letter to the WW Town Council and town manager thanking them for working with us to realize a mutual benefit and savings.

Renewable Energy Projects -Update

Mr. Simmons said KCWA would like to redraft the RFP. He said he wants to finish the KCWA facility design to get a full sense of what amount of electricity we will be self-generating and storing through our own solar panels and storage systems. He stated that KCWA has

committed to putting a large amount solar on the new facility and in addition, KCWA owns acres of land that they should at least look at for technical opportunities of diversification to complete the authority's goal to be 100% renewable, even perhaps outside of photovoltaic technology. Committing to a 25 year net metering contract with a third party for its electricity must be made carefully as to not over commit beyond the need. He promised that net metering will be a part of our solution but did not want the authority to be in a position of over committing to an amount of contracted electricity that may not be realized.

Chairman Boyer asked for any date for completion of plans. Mr. Simmons said there was a 90 day period for comments. He said bid ready documents for late summer.

New Office and Maintenance Facility

Permitting and design update

Mr. Simmons said KCWA had signed the wetlands permits today and submitted payment so as to be in the queue under the current wetlands regulations that are slated to change in July.

Executive Session:

Pursuant to RIGL 42-46-5(2): Discussions pertaining to litigation -RIDOT- Construction- Pipe Gantry Issues-KCWA v. D'Ambra Construction and RIDOT- KC-2021-0704

Mr. Sullivan indicated that there was no need for executive session. The discovery phase continues.

There being no further business before this board, on motion duly made by Mr. Duckworth, seconded by Mr. Crossman and carried, the meeting was adjourned at 5:10 p.m.

Dated: May _____, 2022

Patrick J. Sullivan
Legal Counsel