

KENT COUNTY WATER AUTHORITY

MINUTES OF THE MEETING OF THE BOARD

May 21, 2015

A meeting of the Board of Directors of the Kent County Water Authority was held on the 21st day of May 2015, 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, Mr. Gallucci and Mr. Giorgio were all present together, along with the General Manager/Chief Engineer Timothy J. Brown, legal counsel Patrick J. Sullivan, Esq. as well as, Mr. Duchesneau, Mr. Simmons and Finance Director Jo-Ann Gershkoff. Mr. Inman was excused from attendance. Mr. Gallucci led the group in the pledge of allegiance.

APPROVAL OF THE MINUTES

The minutes of the regular board meeting of April 16, 2015 and the special board meeting of May 12, 2015 were presented for approval. Mr. Masterson moved passage of the minutes, as amended, seconded by Mr. Gallucci and the minutes of both meetings were unanimously approved.

Guests

Starkweather and Shepley

Kimberly Muldoon appeared before the board for a presentation on the insurance options for the board. This included health insurance, dental insurance, long term disability and accidental death and dismemberment. She reported that she looked at multiple sources of insurance as part of the due diligence process.

She advised the board that she began the process with an overall 9% increase in the Blue Cross premium, but the final increase in the health insurance if nothing was done would be 7.7%. She then went through the options to reduce the coverage and benefits, which would reduce the premium. She explained that adjusting the benefits could raise or lower the premium.

Ms. Muldoon then went into dental insurance. The current carrier is Delta Dental, she explained. She advised that doing nothing would result in a 1% increase in the premium. She discussed options such as United Health and Blue Cross Blue Shield both of which would result in higher premiums for the same benefits.

Next, she discussed accidental death and dismemberment and long-term disability. The

current coverage is with Mutual of Omaha, and doing nothing would result in no increase in premium.

Mr. Brown added that many carriers don't even want the business, whereas the current carrier still does.

Then there was a discussion of the workers compensation. Savings on the workers compensation policy would result in a .72 net reduction in the premium.

Next, there was a discussion of the Plan 65 for retirees. Mr. Brown reminded the board that switching carriers at times becomes problematic. Out of state retirees are not guaranteed that their health care providers would take a new carrier. Ms. Muldoon added that the premium for this package had been reduced from \$511.68 per month to \$476.07 if the program was renewed as it currently is.

Chairman Boyer asked for a clarification of a portion of her handout that dealt with part time employees and large employers, which Ms. Muldoon provided.

At the end of the presentation, Ms. Muldoon, and Mr. Brown, recommended that the lines of coverage be renewed as is.

Mr. Gallucci moved and seconded by Mr. Masterson to renew all employer provided insurance products as they currently exist for one year.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That KCWA is authorized to renew all employer provided insurance products as they currently exist for one year.

LEGAL MATTERS

Mr. Sullivan reported on the problems in the Pontiac/Natick area of Warwick. He advised that since the special meeting of the week prior, he had prepared two summonses and complaints for the two holdouts for a declaratory judgment for a prescriptive easement. He predicted that once served with the suit, they may come to the table and simply sign the easement as the others did.

Mr. Sullivan then updated the board on the situation at 642 Washington St., Coventry. He and Mr. Brown informed the board that the route was changed to avoid the old main and the suggestion was to go along the bridge along Pilgrim Avenue rather than around the contaminated soil at the site. Mr. Brown reported that the bridge when designed anticipated such a route for the water main, but there were restraints in the time the route could be disturbed. He reported on the design cost being \$16,180.00. Mr. Brown advised the board that Colbea, Inc. suggested that KCWA approach the state to see if they would approve the design. Mr. Brown suggested the state may take their suggestion. He instructed Mr. Sullivan to see if the owners would still be interested in contributing the original and perhaps bring that before the board.

Mr. Sullivan then commented on the Central Coventry Fire District bankruptcy. He explained that the receiver had attempted to get fast track approval on a new contract, whereupon some of the creditors objected as they did not know how much the creditors would be paid in the plan. The judge refused to fast track or approve the agreement and the hearing was continued.

Mr. Sullivan also advised the board that he has prepared a summons and complaint against the Coventry Fire District as authorized by the board at the special meeting. He will be serving the board of directors, or alternatively, ask their attorney to accept service.

Director of Finance Report:

Jo-Ann Gershkoff, Finance Director, explained and submitted the financial report. She reported on the Cash Receipts and Disbursements and Statement of Cash Location FY 2014-2015 as of April 2015, and Statement of Revenues, Expenditures and Changes in Fund Balance as of March 2015, attached as exhibit "A", and a thorough discussion ensued with regard to the sales and revenue.

Mr. Gallucci moved and seconded by Mr. Giorgio 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 2014-2015 as of April 2015, and Statement of Revenues, Expenditures and Changes in Fund Balance as of March 2015 attached as exhibit "A", be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege and Communication

There was nothing reported in this section.

GENERAL MANAGER/CHIEF ENGINEER'S REPORT

GENERAL:

2015A IFR Easements Warwick Status

Mr. Brown advised the board that Mr. Sullivan discussed that topic and it awaits finalization.

Rate Counsel Action

Mr. Brown advised the board that this remains on hold until rate counsel is selected.

QDC Water Service Inquiry

Mr. Brown reported that the Quonset Development Corp. has asked for 200 gallons per minute. He suggested to the board that there is no need for a joint study, for which we would be expected to contribute. Mr. Brown indicated that they were contacted and the model can be released to them.

Mr. Masterson asked Mr. Brown if he had any contact with Steve King. Mr. Brown said he had met with him. He added that KCWA spent years and years trying to talk to the representatives there and that they were ignored. Shovel ready projects went to the wayside.

HVAC & Fire Protection Services

Mr. Brown reported that in order to bring uniformity to system wide maintenance he priced contracting services. He indicated that if all maintenance were under one umbrella then it would save money. He added that he will use NJPA for the low priced vendor.

Financial Institution Changes

Mr. Brown advised the board banks want out of the municipal banking business. He cited recent changes in the Dodd/Frank law that disfavors municipal entities as being clients. He said he met with four banks and awaits options on reducing fees. He added that he is looking for a lock box option to be done by an outside vendor.

Employee Certifications

Mr. Brown reported on the employee certifications of two employees. They have to pass their certifications and have yet to do so. The chairman asked how long they have to do so. Mr. Brown advised they have one year to do so, and that year has expired. He said he will work with the affected employees, but added that if they cannot pass and are not licensed, they can no longer work there.

Guest – Summit Financial, Pension Plan Review

Mr. Brown introduces representatives from Summit Financial, the company who administers the pension fund for KCWA. He added that the board is required to conduct a due diligence meeting as well as a trustee meeting annually, and this would be that meeting.

Mr. Joe Bonasera began discussion of the pension fund's investment policy. He said the allocation of assets were 60% attributed to diversified stocks and 40% to fixed income investments. He advised the return is approximately 7% annually. He reported that the documents he distributed indicated the return at 6.6%, but that failed to include the \$24,200.00 that was inadvertently removed from the account.

He reported that the decision of the board last year to replace Oppenheimer International Bond with Templeton Global proved to be a good decision. He went on to discuss the handout

and how funds are monitored quarterly.

He reported the total account value as on December 31, 2014 as \$5,209,254.37. He added that the annual funding requirement was reduced from \$277,560.00 in 2014 to \$246,738.00 for 2015 based upon the positive performance of the fund. He continued that the funding ratio is 87%, up from 58% in 2009. He added that this is a very high funding ratio, with many municipalities with far lower ratios. He said the total account value was up from \$4,867,501.00 last year. He went on to say he expects the funding ratio to be up to 89%-90% next year.

He then discussed market volatility and expressed his opinion on market corrections. Mr. Gallucci asked about presidential election year's effect on the market. He replied that they have very little impact on the market. He said corporate earnings and profits control. If they rise, so does the market. He then had a general discussion on his prediction of increased corporate profits.

Mr. Brown asked him to discuss the smoothing factor that is built in, as well as the assumption of 7.25% return. Mr. Bonasera held a general discussion for the board on smoothing gains and losses.

Mr. Brown and Mr. Bonasera suggested a change to reduce the real estate investment trust and move it into commodities.

Mr. Gallucci moved, seconded by Mr. Giorgio, to take 2% of the REIT and move it into commodities.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That KCWA authorizes Summit Financial to take 2% of the REIT and move it into commodities.

Mr. Brown then asked that Summit Financial provide him with the spreadsheets for retiree activity, as he cannot access them through the portal.

INFRASTRUCTURE PROJECTS

IFR 2010B Prospect Hill (Construction Status)

Mr. Brown informs the board that Providence St. has begun with trench reconstruction.

Apponaug Circulator Water Main Replacement (Status)

Mr. Brown reported the project back in full motion, with work being monitored by KCWA personnel.

East Greenwich Refurbishment

Mr. Brown reported that the demolition contract is going to the chairman to sign.

IFR 2014A

Mr. Brown reported that Boyle and Fogarty had been awarded the contract and construction in the Tollgate Road area is underway.

IFR 2014B

Mr. Brown reported that construction in West Warwick roads was begun on New London Ave. The town wants to rebuild that road by the summer.

IFR 2015A/B DESIGN

Mr. Brown reports that both contracts are under design. 2015A is under review by RIDOT.

Quaker Lane Pump Station Upgrade (Status)

Mr. Brown reports that the parts remain on order and will be installed by the contractor once received.

GUEST

Keough & Sweeney – Request to Appear Rate Counsel

Joe Keough appeared at the request of the board from the last meeting. Mr. Brown re-introduced him as Mr. Inman had two questions. Mr. Brown asked Mr. Keough if he would consider a flat rate to conduct the rate case. Mr. Keough said he would consider a flat rate, but he thought it be a disadvantage to the client. He explained that transactional cases use flat rates. In this case he thought hourly was a better bet. He said he would have to build in a worst-case scenario in a flat rate case, and if the case settles or has no appeal, the client loses. He explained the unpredictability of a case. He was in a case that he thought was simple, then another community intervenes and the hours on the case skyrocketed.

Chairman Boyer queried him on his resume. He asked Mr. Keough how many cases go to an appeal. He replied that not many go to appeal.

Mr. Keough advised the board to contact his clients and he bet they would report he is very fair with his billing.

Chairman Boyer asked Mr. Brown to summarize the case, which he did. Chairman Boyer asked Mr. Keough if he would bring associates to the hearings, which he replied only he goes. The Chairman went on to question Mr. Keough on the procedure of the hearings, the composition of the PUC, and the public's participation therein. The Chairman added that

KCWA brought the commissioners to a tour of the facilities. He went on to say that the KCWA board is more involved than previous boards and commended Mr. Brown.

Mr. Masterson discussed a recent rate case where the public came out in droves in a negative fashion.

The Chairman asked Mr. Keough to reduce his hourly rate to \$250.00, to which Mr. Gallucci agreed. Mr. Keough advised that he already reduced his rates once from \$285.00. He thought it was a fair rate.

Mr. Brown then discussed the second question asked of Mr. Inman; whether Mr. Keough had gone to any continuing education seminars involving these matters. Mr. Keough replied that there is a seminar for new commissioners and attorneys for rate cases. He said he had not gone, but learned the old fashion way as an attorney working for Frank Flaherty.

The Chairman thanked Mr. Keough for appearing and excused him.

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

Dated: June ____, 2015.

Legal Counsel