

KENT COUNTY WATER AUTHORITY

MINUTES OF THE REGULAR MEETING
OF THE BOARD

May 21, 2020

A meeting of the Board of Directors of the Kent County Water Authority was held on the 21st day of May 2020, at 3:30 p.m. at the offices of the Authority in West Warwick, RI, in the Joseph D. Richard Board Room and via Zoom with the board members. The Chairman was at the offices of the Authority.

Chairman Robert Boyer opened the meeting at 3:30 p.m. Board members, Vice Chairman Joseph Gallucci (who joined at 4:20 p.m.), Treasurer Russell Crossman, Brian Kortz, Jeff Giusti 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 Finance and Human Resources Michael Lanfredi. Director of Engineering and Technology Alisa Morrison was also in attendance. Rate Counsel Mary Shekarchi, Esq. was in attendance as well. Chairman Boyer led the group in the pledge of allegiance.

APPROVAL OF THE MINUTES

The minutes of the regular board meeting, including executive session minutes, held on March 12, 2020 were presented for approval. Mr. Duckworth moved, seconded by Mr. Rousselle. The minutes were approved unanimously.

Guest:

Summit Financial Group – Due Diligence Pension Review

Doug Johnson and Jason Denton appeared before the board as representatives of Summit Financial Group, the company that administers the authority's pension plan. Mr. Simmons introduced them to the group and Mr. Johnson began the presentation.

Mr. Johnson discussed last year, 2019, and the performance of the fund. He also discussed the year to date performance which was hit hard from February, 2020 until the present. He added that this was due to the COVID-19 pandemic. He discussed the policy statement and discussed

2019, the period of the actual report. He said it was a strong year in the market, then discussed the contributions versus the withdrawals by pensioners.

He discussed the first quarter of this year. He said there was a \$1 million investment loss because of the volatility. He said from 2/2020 there were 16 days of a bear market, then there was a twenty percent pullback. He said that on March 23, 2020, the market began to recover.

He discussed investment allocation and said our portfolio consisted of 60% equities and stocks, and 40% in fixed income. He went on to discuss his recommendations for changes to the portfolio, and suggested that 7% be moved to an actively managed fund, the U.S. index fund.

Jason Denton discussed the valuation report. He reminded the board that the value of the fund was from the beginning of the year, and that the asset losses that have occurred since are not represented in the report provided to the members. He said the required contributions for this year is \$281,000.00 versus \$250,000.00 for 2019. He said the reason for this is 1) there are more participants in the plan, 2) the rate of pay for employees went up over the assumption, and 3) asset smoothing.

Chairman Boyer asked about the minimum required contributions. Mr. Denton discussed the present value of future benefits. Mr. Rousselle asked about the expected rate of return, and asked if it was adjusted year to year. Unless there are changes in the plan, the expected rate remains constant Mr. Rousselle was told. Mr. Kortz asked what would occur with KCWA not making the minimum required contribution. Mr. Denton advised that since it was a government plan, there was no penalty, but the unfunded liability would increase. He went on to say that the plan, for the 2019 calendar year, was 89% funded, versus 81% at the beginning of the prior year.

Mr. Rousselle asked about the frequency of the reports, and wondered aloud if there were more frequent reports than quarterly, the asset losses could have been avoided. He wondered if the board should be more active in the plan management. Mr. Denton indicated that half of the losses in Q1 have been regained.

Mr. Rousselle moved, seconded by Mr. Crossman, to accept the changes recommended by Summit Financial.

Motion duly made, and seconded, it was

VOTED: That KCWA authorizes Summit Financial to make the recommended changes to the retirement plan.

Action Item – Recommendation of Engagement for Land Acquisition for Proposed New Facility

Mr. Simmons reminded the board of the presentation in the March meeting. He said the board asked him to issue a request for proposals, after the Hayes and Sherry/Vision 3 Architects presentation of 3 parcels of land/buildings presented in March. He said they received two additional parcels from the RFP, 792 Tiogue Ave, and 17 Valerie Drive. He said Tiogue Avenue did not comply with the RFP and the price was too high. He said he believes the 51 Technology Way checks all the boxes and provides the best opportunity. He said he would defer to the board.

There was a lively discussion on the topic. Chairman Boyer said he agreed with Mr. Simmons and said the negotiation should ensue. He said the access to the highway is great. He said he wants to be on the negotiation committee.

Mr. Gallucci joined the discussion and thought the asking price of \$1.6 million was too much. He said he reviewed the materials for several hours. He said he has been on the board for many years and that the previous four times they went to the PUC for a new facility, they were all rejected.

Attorney Shekarchi discussed the next steps. She said once they identify a parcel, the due diligence matters kick in, such as the appraisal and the investigation of wetlands and viability.

Mr. Simmons explained the 5 year cycle for capital improvements approved by the PUC. He again discussed the north south interconnect in the same restricted cash allocation that the land acquisition would be financed with. The final design and construction of a new facility would be financed separately through a rate case down the line. Land evaluation the first step and was an integral part of the needs study performed by Vision 3 and collectively we have reviewed 13 properties between the study and the subsequent RFP.

Mr. Sullivan went on to assure the board that they were simply directing legal counsel to investigate these matters, and they were not agreeing to purchase any property. Once that investigation is conducted, it will be presented to the board for a vote to enter into a purchase and sales agreement at a specific price with specific conditions.

Mr. Kortz asked about the need for two lots. Mr. Simmons said the other lot may be a solar farm for renewable energy reasons.

Mr. Rouselle moves, seconded by Mr. Crossman, to appoint Chairman Boyer to lead a subcommittee, select its members, and negotiate with sellers of 51 Technology Way and report to the board with its results.

Motion duly made and seconded, it was unanimously

VOTED: Chairman Boyer is appointed to lead a subcommittee, select its members, and negotiate with sellers and report to the board with its results.

Abbreviated Rate Filing

Mr. Simmons discussed this topic. He said there were quite a few data requests, but thought it might settle. He had a settlement conference with Division and thought if it settled, it could go before the PUC in July 2020. He said it would reduce the overall rates to customers and also save the communities by also reducing the cost of the public fire hydrant fees as of 9/1/2020. The specific percentage amount of the hydrants fee will be finalized in settlement negotiation but Mr. Simmons felt it was going to represent a good savings to community budgets who are struggling through the pandemic. Mr. Rouselle asked if there was community outreach to this effect. Mr. Simmons stated that outside of the required notice retirement of a rate filing he has only spoken with West Warwick . He stated he would reach out to the communities once a known percentage is settled between KCWA and the PUC.

Legal Matters

Mr. Sullivan updated the board on the Center of New England receivership. The case remains before the superior court. There was little action to report except that he and Mr. Simmons granted the receiver time to pay its inspection fees in the Highlands at Hopkins Hill. Mr. Sullivan said he will have the escrow agent hold the fees owed to KCWA at the closing and pay them directly to KCWA.

Next, Mr. Sullivan advised the board that the sewer easement on the Munroe Dr. area was approved by the town council in form. He said Mr. Crossman found some engineering that saved the town substantial additional engineering fees, and that this would be recorded in the land evidence records if approved. He asked the board approve it and authorize the Chairman to execute it.

Mr. Rouselle moves to grant an easement to Coventry and authorize the Chairman to sign the sewer easement with Coventry, seconded by Mr. Crossman.

Motion made and duly seconded, it was unanimously

VOTED: That KCWA grants an easement to Coventry and Chairman Boyer is authorized to sign the sewer easement with Coventry,

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 2019-2020 as of March 2020 and April 2020 and Statement of Revenues, Expenditures, and Changes in Fund

Balance as of March 2020 and April 2020, attached as exhibit “A”, and a thorough discussion ensued with regard to the sales and revenue.

Mr. Rousselle moved, seconded by Mr. Duckworth, 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 2019-2020 as of March 2020 and April 2020 and Statement of Revenues, Expenditures, and Changes in Fund Balance as of March 2020 and April 2020, attached as exhibit “A”, be approved as presented and be incorporated herein and are made a part hereof.

Mr. Lanfredi said the same benefits from last year would result in a 2.4% increase in Health Insurance and a 3.2 % decrease in dental.

Mr. Rousselle moved, seconded by Mr. Kortz to renew the health and dental benefits for FY 21.

Motion made and seconded, it was unanimously

VOTED: KCWA shall renew the health insurance and dental insurance for FY21 with the same providers from last year.

Action Item – Approval of Insurance, Workers Comp., General Liability and Life Insurance Coverage FY 21

Mr. Lanfredi recommended renewing the Workers Comp., General Liability and Life Insurance Coverage FY 21 saying it would result in a 1.2% decrease over last year.

Mr. Rousselle moved, seconded by Mr. Giusti, to renew the health and dental benefits for FY 21.

Motion made and seconded, it was unanimously

VOTED: KCWA shall renew the Workers Comp, General Liability and Life Insurance for FY21 with the same providers from last year.

Personal Privilege and Communication

Mr. Rousselle said he was contacted about water pressure and asked Mr. Simmons to look into it. Mr. Simmons discussed various ways to increase pressure a homeowner may do on its own when the elevation is too high.

Chairman Boyer commended Mr. Simmons and the office staff for a job well done.

GENERAL MANAGER/CHIEF ENGINEER'S REPORT

GENERAL:

COVID-19 Updates – Continuity of Operations – PUC Dockets 5022 and 5026

Mr. Simmons said the meter program was shut down in part as no one was to enter homes. He said the meters located outside could continue to be replaced which allowed an additional 3 weeks of work.

He said within KCWA, there is an A team and a B team, and they stagger. He said there are people working remotely. He said full operations will resume June 1 and will stagger start times so as to allow for better social distancing. He went on to say he reports to the PUC every 2 weeks on the status of the employees, and KCWA financial position. He opined that KCWA was in pretty good shape. He said there was a contingency fund of 1.4 million dollars, and if needed, he could access it by petitioning the PUC whom is on notice that if collections decreases to greater than 50% in any given month that KCWA would be filing a petition for access to those funds.

RFP for well Rehabilitation Services – Mishnock

Mr. Simmons said he will issue the RFP next month for this item. He said they need to pull the well pumps, inspect them and clean them out.

INFRASTRUCTURE PROJECTS

IFR Design Services for the replacement of two PRV stations and associated main replacements in the Town of Coventry.

Mr. Simmons said the board approved task order no. 2 to replace two PRVs. He said the IFR went out for design services. He said it will go out to bid this summer

Tiogue and Read School House Tank Demolition Update

Mr. Simmons said the tanks are both down and removed.

IFR 2018 – Final Paving

Mr. Simmons said all that remains on this topic is the final paving.

Hydraulic Model – progress update

Ms. Morrison updated the board on this topic. She said the model update was complete and only verification was necessary.

CAPITAL PROJECTS

Water Main North/South Interconnection High Service Coventry- Main Street @ Leader and Old Main, Sandy Bottom, Tiogue @ Gilles. – On hold until spring

Mr. Simmons explained that this project is ongoing. They are currently doing Ken Ray to South Main, Sandy Bottom, replacing main.

There being no further business before this meeting, on motion duly made by Mr. Rousselle, seconded by Mr. Crossman and carried, the meeting was adjourned at 4:30 p.m.

Dated: June _____, 2020

Patrick J. Sullivan
Legal Counsel