

KENT COUNTY WATER AUTHORITY

MINUTES OF THE MEETING OF THE BOARD

June 19, 2014

A regular meeting of the Board of Directors of the Kent County Water Authority was held on the 19th day of June, 2014, 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. Chairman Boyer, Board Members Vice-Chairman Masterson, Mr. Gallucci and Mr. Inman were present together, along with the General Manager/Chief Engineer Timothy J. Brown, legal counsel Patrick J. Sullivan, Esq., Rate Counsel Robert Watson as well as Finance Director Jo-Ann Gershkoff, Mr. Duscheneau, and Mr. Simmons. Frank Giorgio was excused. Mr. Inman led the group in the pledge of allegiance.

APPROVAL OF THE MINUTES

The minutes of the regular board meeting of May 15, 2014 were presented for approval. Mr. Gallucci moved passage, seconded by Mr. Masterson and the minutes were unanimously approved.

GUESTS

3:30 p.m. High Service Requests:

Cedar Ridge Condominiums – Michael Kent

Attorney John Brunero appeared for the applicant for high service request. He advised the board that the development received master plan approval in May, 2008 and the approval remains in effect. It is located on Division Street in West Greenwich. It provides for 127 age restricted residences with a low moderate income component. The development provides for a 12” meter.

A discussion ensued regarding how to feed the development, whether it come from Division Rd. from the front of the development brought along the street by the developer or from the rear where there is access. Mr. Brown indicated to the board that this could be handled in the technical review portion of the approval.

It was moved by Mr. Inman, seconded by Mr. Masterson, to conditionally approve the request for water supply to a the development with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority is not a guarantor of water supply for this or any

other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third-party commitments made by an applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.

2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA; KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers KCWA.
3. Ventures, commitments or agreements are at the applicant's sole risk if supply for existing infrastructure is found to be insufficient to support service. The applicant may afford the authority with system improvements to facilitate adequate service.
4. The applicant shall file a formal application. The applicant/customer understands that any undetected error in the application or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.
5. Only conservation-wise plumbing fixtures are to be installed including, but not limited to, low flow shower heads, low flow toilets and low flow guarantors on faucets.
6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping techniques and/or proper planting bed (high water holding capacity) slow preparation shall be employed throughout the project.

Upon Motion made, and duly seconded, and unanimously voted,

VOTED: That based upon health and safety concerns to conditionally approve the request for water supply to service the development with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third-party commitments made by an applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.
2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA; KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers KCWA.

3. Ventures, commitments or agreements are at the applicant's sole risk if supply for existing infrastructure is found to be insufficient to support service. The applicant may afford the authority with system improvements to facilitate adequate service.
4. The applicant shall file a formal application. The applicant/customer understands that any undetected error in the application or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.
5. Only conservation-wise plumbing fixtures are to be installed including, but not limited to, low flow shower heads, low flow toilets and low flow guarantors on faucets.
6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping techniques and/or proper planting bed (high water holding capacity) slow preparation shall be employed throughout the project.

Watervalley Rd., West Warwick – James Marsh

Mr. Marsh appeared before the board in his request for high service approval. He indicated that it was for a single family home. Mr. Brown indicated this needs an 80' extension and had no objection to the approval

It was moved by Mr. Boyer, seconded by Mr. Inman, to conditionally approve the request for water supply to a single family home with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third-party commitments made by an applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.
2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA; KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers KCWA.
3. Ventures, commitments or agreements are at the applicant's sole risk if supply for existing infrastructure is found to be insufficient to support service. The applicant may afford the authority with system improvements to facilitate adequate service.
4. The applicant shall file a formal single-family home application. The applicant/customer understands that any undetected error in the application or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.

5. Only conservation-wise plumbing fixtures are to be installed including, but not limited to, low flow shower heads, low flow toilets and low flow guarantors on faucets.
6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping techniques and/or proper planting bed (high water holding capacity) slow preparation shall be employed throughout the project.

Upon Motion made, and duly seconded, and unanimously voted,

VOTED: That based upon health and safety concerns to conditionally approve the request for water supply to service a single family home with the following conditions in lieu of a moratorium:

1. The Kent County Water Authority is not a guarantor of water supply for this or any other approval and KCWA can only supply water reasonably available to it and therefore any applicant/customer of KCWA understands that any third-party commitments made by an applicant/customer are subject to the reasonable availability of water supply and limits of the existing infrastructure to support service.
2. A deficient condition associated with accelerated commercial and residential development exists in the area serviced by the KCWA; KCWA is in the process of planning for additional water supply and therefore delays or diminution in service may occur if the water supply is unavailable or unable to produce water sufficient to service the customers KCWA.
3. Ventures, commitments or agreements are at the applicant's sole risk if supply for existing infrastructure is found to be insufficient to support service. The applicant may afford the authority with system improvements to facilitate adequate service.
4. The applicant shall file a formal single-family home application. The applicant/customer understands that any undetected error in the application or an increase or change in demand as proposed, which materially affects the ability to supply water to the site, will be the responsibility of the applicant/customer and not the KCWA.
5. Only conservation-wise plumbing fixtures are to be installed including, but not limited to, low flow shower heads, low flow toilets and low flow guarantors on faucets.
6. If irrigation systems are installed, they must be supplied by a private well. Xeriscape landscaping techniques and/or proper planting bed (high water holding capacity) slow preparation shall be employed throughout the project.

Starkweather and Shepley – Benefits Review for Fiscal Year

Kim Muldoon appeared from Starkewather and Shepley to discuss the company's recommendations for benefits for employees for the coming fiscal year. She recommended

renewal with Blue Cross Blue Shield (BCBS). She reported that the company looked at all other carriers and concluded that BCBS presented best. She added that BCBS revised all plans to comply with the federal Affordable Care Act (ACA), including removing lifetime benefit caps, for instance. There was also discussion regarding Delta Dental renewal. Ms. Muldoon added that the new adjustment for Delta Dental was to include 50% prosthodontics coverage.

There was discussion regarding adjusting benefits up and/or down as to both dental and BCBS. The presentation included various adjustments to prescriptions and that included changes to the Plan 65 BCBS coverage for retirees.

There was also discussion of an audit to ensure that appropriate dependents were on the plan. Discussions included affidavits, requiring proof of birth, marriage, etc..., but BCBS representatives indicated that they do not do that themselves.

Mr. Brown pointed out that the new plans presented are billed in four groups:

1. Single
2. Employee & child
3. Employee & spouse
4. Full family

Chairman Boyer asked how the new plans would affect employees. The answer was that the prescription drug coverage would be re-tiered, and it would affect employees differently; some costs would go up and some would go down depending on what drugs are used.

Mr. Brown added that any changes to Plan 65 to an ACA type plan would require retirees to complete paperwork and other related issues and a different formulary for drug coverage.

The discussion ended and Mr. Inman moved and seconded by Mr. Masterson to renew the current plans with BCBS without pediatric dental and the slightly improved Delta Dental, as well as the life and disability plan as offered by Mutual of Omaha, the current plan.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the KCWA is authorized to renew the current health insurance plan with BCBS, without pediatric dental benefit and the slightly improved Delta Dental plan. The KCWA is also authorized to renew the Mutual of Omaha life and disability plan.

LEGAL MATTERS

Legal Counsel Mr. Sullivan reported on the Central Coventry Fire District. He advised the board that the state receiver and the court appointed receiver are currently working on transitioning the receivership to the state receiver. There was at least one court hearing that was continued, so that was the extent of the update.

Mr. Sullivan also updated the Board regarding the receivership of the Commerce Park Properties at the Centre of New England. He reported no new issues with the receivership. Mr. Brown indicated that they were continuing to pay the water bills as they came due.

Mr. Sullivan informed the board that the issue regarding 642 Washington St. was referred to COLBEA Enterprises, the owner of the Shell station. He advised he had discussions with Mr. Breckel, and referred the proposal from C&E Engineering to COLBEA. Mr. Sullivan added that he hasn't heard from Mr. Breckel, but did receive a message that he was away for an extended vacation. The board gave another thirty days for them to respond and the matter will be addressed for a more aggressive approach at the next meeting.

Director of Finance Report:

Jo-Ann Gershkoff, Finance Director, explained and submitted the financial report. She presented the Statement of Revenues, Expenditures and Changes in Fund Balance as of April 2014 and the Statement of Cash Location FY 2013-2014 and Cash Receipts and Disbursements FY 2013-2014 as of May 30, 2014 attached as exhibit "A", and a thorough discussion ensued with regard to the sales and revenue.

Mr. Brown indicated that May 2014 was another record for low sales.

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 Revenues, Expenditures and Changes in Fund Balance as of April 2014 and the Statement of Cash Location FY 2013-2014 and Cash Receipts and Disbursements FY 2013-2014 as of May 30, 2014 attached as exhibit "A", be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege & Communication

Chairman Boyer commented on the recent tour of the facilities put on by Mr. Brown for the Public Utilities Division and their attorneys. He commended Mr. Brown on the efforts. He said the facilities were astonishing. He also commended rate counsel Mr. Watson for his efforts.

Mr. Masterson commented that he was approached by some real estate people who registered concerns regarding KCWA providing the final water billing for closings. He said they complained that in today's world, these final readings should be able to be done electronically. Mr. Brown added that it is difficult at times since many times, there are last minute closings and it is difficult to get someone out there immediately. Mr. Brown added that he would surely work with the real estate people. He added that currently KCWA doesn't charge for final readings either.

Mr. Brown informed the board that the sanitary survey was back from the Department of Health and it reported no deficiencies.

GENERAL MANAGER/CHIEF ENGINEER'S REPORT

GENERAL:

Legal Services

The general manager presented the engagement agreements from general counsel Sullivan & Sullivan and rate counsel Robert Watson for FY 2014/2015 for approval

Mr. Masterson moved and seconded by Mr. Inman to authorize the Chairman to sign the agreements Sullivan & Sullivan and KCWA as well as Robert Watson and KCWA for the provision of legal services.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the Chairman is authorized to sign the agreements Sullivan & Sullivan and KCWA as well as Robert Watson and KCWA for the provision of legal services.

RFP Bill Printing

Mr. Brown informs the board that there was only one response to the bill printing RFP. He added that it wasn't fully responsive to the RFP and he recommended rejection of the bid.

Mr. Masterson moved, seconded by Mr. Gallucci, to reject all responses for the bill printing RFP and to redo the request.

Upon Motion duly made and seconded, it was unanimously,

VOTED: That all responses are rejected for the bill printing RFP and the General Manager is authorized to reissue the RFP.

CAPITAL PROJECTS:

CIP 1C Mishnock Well Treatment Plant (Construction Status)

The General Manager reported the plant is operational, but it remains behind schedule. The board will be asked to ratify a change order at the next meeting regarding the overhead crane movement.

INFRASTRUCTURE PROJECTS

IFR 2010B Prospect Hill (Construction Status)

The General Manager informs the board that construction has restarted and should be complete this construction season.

Quaker Lane Pump Station Upgrade (Status)

The General Manager reports that construction has begun for the season. Contractor has not completed work on time. He also predicted liquidated damages for this project.

Mr. Brown also asked for approval of CO #5 for site stabilization, including rip rap catch basin and cape cod berms in the amount of \$27,178.03.

Mr. Masterson moved, seconded by Mr. Gallucci, to approve CO #5 for site stabilization, including rip rap catch basin and cape cod berms in the amount of \$27,178.03

Upon Motion duly made and seconded, it was unanimously,

VOTED: That CO #5 for site stabilization, including rip rap catch basin and cape cod berms in the amount of \$27,178.03 is approved.

Apponaug Circulator Water Main Replacement (Status)

The bid was 40% less than estimated, and as such, the state reimbursed KCWA about \$400,000.00. This is a 4 year project.

System Chlorinators, Addition to Clinton and Quaker PS

Mr. Brown reports that the Department of Health has approved the chlorinators for installation and the materials have begun to be ordered.

Hydraulic Model Upgrade

Mr. Brown reports that the project is underway.

East Greenwich Refurbishment

Mr. Brown reports that this is located in a flood plain and may need to be moved. He added that this project is underway with removal of pump equipment. There was a pump failure just prior to system review; this may require a change order while design continues.

2014/2015 IFR

Mr. Brown reports that this project proceeds with design. He added there was an expectation of a construction bid by summer of 2014.

FY 2014/2015 Budget

Mr. Brown commenced a presentation on next years budget. He presented a budget memorandum to the board. He began in general terms, indicating that the sale of water has remained lower than expected, but he presented a balanced budget for the board's approval. He indicated that the expected rate filing will not have any impact on revenue this fiscal year.

He discussed fixed allotments of bond related capital, infrastructure restricted accounts and the restricted operating revenue allowance. He discussed employee salary increases in the budget. Within that discussion he recommends pushing two employees up the ladder structure with higher certifications. He added higher certifications mean higher pay. He also recommended moving an employee to salary. Mr. Brown said he is pleased with the employees, with a better mix. He recommends an overall salary increase of 2% on the ladder structure. The board agreed.

He discussed health insurance co-pays remaining at 10% reimbursement, with an increase of 6.1%. He reported that the workers compensation premiums have increased 22% from last year, but added that the minimum pension contribution was lower than last year, at \$277,560.00, due to better than expected asset return.

Mr. Brown discussed current budget policy so as to control outside budget expenses. He also reminded the board that the Strategic Action Plan of 2014 will be the guiding document for action by the board. He then discussed the direction of the company for the upcoming year, including accepting the Mishnock Treatment Facility and the Quaker Booster Station as complete from their respective contractors, as well as completing the design of the 2014/2015 IFR projects.

There was robust discussion regarding the budget from the board members.

Discussion then came to compensation of the General Manager/Chief Engineer. Mr. Brown left the room for the board discussion.

Chairman Boyer reminded the board that there was discussion of a plan of compensation years ago that was never implemented. Chairman Boyer recommended that his compensation be set at \$168,800.00 for this upcoming fiscal year. Mr. Masterson indicated that at Mr. Brown's level, it was important to keep Mr. Brown as he is crucial to the continued success, seeing that other water companies are in need of massive help. Mr. Gallucci and Chairman Boyer and Mr.

Inman added that he is filling two positions in the company, both General Manager and as Chief Engineer, and that the KCWA is saving money if both positions were to be filled. Mr. Inman added that he had revolutionized the system, and considers KCWA the best water system in the state.

Mr. Gallucci moved, seconded by Mr. Masterson, to approve the following

1. Approve FY 2014/2015 budget as presented and appended to these minutes; and
2. To set the General Manager/Chief Engineer's salary for FY 2014/2015 at \$168,800.00; and
3. To push up the four employees up the ladder structure,

Upon Motion duly made and seconded, it was unanimously,

VOTED: That the following are approved:

1. Approve FY 2014/2015 budget as presented and appended to these minutes; and
2. To set the General Manager/Chief Engineer's salary for FY 2014/2015 at \$168,800.00; and
3. To push up the four employees up the ladder structure,

Dated: July ____, 2014

Legal Counsel