

WORKSHOP

OF THE BRISTOL COUNTY WATER AUTHORITY

Wednesday, September 19, 2012

450 CHILD STREET, WARREN OFFICE, BOARDROOM, WARREN, RI

Chairman Klepper called the workshop to order at 5:30 pm.

Directors in attendance were: Joseph DeMelo, Kevin Fitta, Allan Klepper, John Jannitto, William Gosselin, Raymond Palmieri

Directors Absent: Frank Sylvania, Robert Allio, Paul Bishop,

Also in attendance were: Pamela Marchand, Mark Champagne, Joseph Granata, Ken Booth, Legal Counsel Ms. Sandra Mack

A large group of BCWA retirees was also present.

Chairman Klepper explained that the purpose of the workshop was to bring to the attention of the retirees the rising and unsustainable cost of OPEB (Other Post Employment Benefits) to BCWA and the need to make changes, similar to the changes that were negotiated and agreed to in the current union contract, and to implement the changes in a way that gave retirees a chance to plan for the future.

He noted that retiree benefits were last discussed by the Board in October, 2008, at which time the board voted that current retired employees will retain their life insurance paid by the Authority'. He noted that the Board has the legal authority to modify or revoke that vote, or make other changes to retiree benefits.

Executive Director P. Marchand stated that BCWA's auditor was concerned about BCWA's OPEB liabilities, and that BCWA's Bond Rating may suffer in the future due to the unfunded and growing OPEB liability. This in turn will affect BCWA's ability and cost to borrow money to pay for necessary system improvements. The Union was presented with this information during their contract negotiations. The Union agreed to changes of benefits for current employees and all future retirees.

Manager of Accounting and MIS Mr. Mark Champagne stated that the rising cost of health insurance was staggering, and he compared the cost of a family plan in 1975 (\$900 per year) with today's cost of \$21,000 per year. The cost for health insurance to the company is about \$600,000, both active employees and retirees.

The cost for group life insurance has increased by 30 to 40% per year. The union agreed to changed in this benefit and were given an increase life insurance to \$50,000 up to age 65, then decrease the amount of life insurance from age 65 – 70 to \$25,000, with the

obligation to provide life insurance to be terminated upon age 70.

A number of other changes were agreed to by the union relating to contributions toward premiums (current employees pay between 18%-20%) and obligation of the retirees to go on spousal benefits if available. BCWA will pay about \$400,000 for early retirees. BCWA is paying more for retirees than current employees. As an example, there are 3 spouses that BCWA has to pay health insurance in full, between 5 and 11 years, at a cost of \$190,000. This is an extreme burden on the Authority.

Chairman Klepper stated that water sales have continuously been dropping as a result of many factors, including conservation and the economy. The board needs to adapt to changing economic conditions. The Chairman asked the retirees to form a small committee to discuss their concerns with a small Board subcommittee and any suggestions they have, in light of the changes being discussed, would be taken into consideration and information shared with the retirees relating to the costs being discussed.

Director DeMelo stated that every expense must be streamlined, and while the Board does not want to hurt the retirees, BCWA must remain healthy to take care of the projects that need to be completed.

Chairman Klepper stated that BCWA is in the midst of working on a strategic plan, an infrastructure replacement plan, a financing plan

and a budget. The cost of retiree benefits has to be determined and the amount of the increase in water rates to support these items has to be determined. .He asked that changes to retiree benefit costs be completed by October board meeting.

Workshop was closed at 6:30 pm.

Kevin Fitta

Secretary

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