KENT COUNTY WATER AUTHORITY

BOARD MEETING MINUTES

May 20, 2010

The Board of Directors of the Kent County Water Authority held its monthly meeting in the Joseph D. Richard Board Room at the office of the Authority on May 20, 2010.

Chairman, Robert B. Boyer opened the meeting at 3:30 p.m. Board Members, Mr. Gallucci, Mr. Inman, Mr. Giorgio and Mr. Masterson, were present together with the General Manager, Timothy J. Brown, Director of Administration and Finance, Joanne Gershkoff, Technical Service Director, John R. Duchesneau, Legal Counsel, Joseph J. McGair. Board Member Masterson led the group in the pledge of allegiance.

The minutes of the Board meeting of April 15, 2010 and the minutes of the work session of April 19, 2010 were moved for approval by Board Member Masterson and seconded by Board Member Giorgio and were unanimously approved.

GUESTS:

Summit Financial, Joseph Bonasera – Annual Pension Review

Jason Denton, FSA, EA, Senior Retirement Consultant stated that Mr. Bonsera was unavailable due to a family emergency and he proceeded to the annual pension review presentation. He stated that the projections are tethered to the retirement age and discounted to present day value and that it is not as simple as reviewing accrued values and present value of future benefits. He stated that there is an unfunded liability which will need to be satisfied. He reminded all that 2009 was a year of steep decline of assets and unfunded liability increased over 2008 and 2009 and albeit in 2010 it decreased somewhat.

He presented the summary of key result which was located on page 7. He expected assets to increase to 7.25%.

He stated that the 2008 loss will need to be recaptured. The summary was thoroughly discussed by the Board and Summit. He indicated that the losses can be over a five year period commencing in 2008 and cost to the plan would be the same and impacts the cash flow.

The Actual Funding valuation from January 1, 2010 dated April, 2010 as evidenced and attached as "**A**".

Mr. Denton said that the Kent County Water Authority plan is much sounder financially than the majority of governmental plans which he has viewed. He stated that on page 4 – Key results summary – that the employee count is virtually the same but the cost of average salary was $55,600 and raises were not as much in previous years which decreased the future cost of funding and that impacts for 2010 are on the right road.

Board Member Gallucci stated that generally, a plan of no contributions for the employee is unusual in these troubled financial times and the General Manager reminded that the Kent County Water Authority plan is old and may not be easily converted to a non-definable benefit plan, further, Kent County Water Authority has a voluntary 457b plan that is fully funded by employees. Mr. Denton indicated that it would be very expensive to convert plans as the vested rights must be fully funded.

Douglas Norberg, Summit Vice President of benefits gave a power point presentation as **"B"** attached. He stated that the past ten years, Defined Benefit Plans have been on a downward trend which makes those types of plans unattractive to employers. He continued with the power point presentation of Exhibit "**B**".

Board member Giorgio and Board Member Inman were excused due to pressing personal business.

Mr. Denton stated that the Portfolio Revenue is attached as "**C**" and the Asset statement FY 2009 is attached as "**D**". The General Manager stated that monthly reports are given and that the recommendations will be prepared and sent to Kent County Water Authority. A thorough discussion ensued.

Mr. Denton and Mr. Norberg stated that the Board has been prudent and in his opinion has performed its due diligence regarding the investments over the years.

LEGAL MATTERS

G-Tech

The hearing date was held on April 27, 2009 and the DPUC issued a Division Order on May 20, 2009 which states that the Complaint filed by GTECH Corporation on July 22, 2008 against Kent County Water Authority is hereby denied and dismissed. The deadline for GTECH to file an appeal is June 20, 2009. GTECH filed an appeal on June 19, 2009 in the Providence County Superior Court to the Decision of the Division of Public Utilities and Carriers of May 20, 2009 which ruled in favor of Kent County Water Authority. Kent County Water Authority answered the complaint on June 29, 2009 and Legal Counsel will engage in that portion of this continuing litigation. The parties have filed a consent order with the Court for the schedule of the briefs. GTECH brief was received on October 2, 2009 and Kent County Water Authority brief is due November 16, 2009. Kent County Water Authority filed their brief on November 16,

2009. GTECH did not file a reply brief and it is now up for order by the Court. Legal Counsel filed a Motion to Assign to a Judge and the assignment motion was scheduled for February 25, 2010 and was ordered on even date. The matter has been assigned to Judge Vogel, but no hearing date has been set.

Harris Mills

The company has gone into receivership. Kent County Water Authority is owed $3,676.58. Legal Counsel will monitor for proof of claim filing. A permanent receiver was appointed. A proof of claim prepared and forwarded to the General Manager for signature on September 17, 2008 and will be filed in the Kent County Superior Court and sent to the receiver. Proof of Claim was filed and sent to Received on September 19, 2008. The proof of claim deadline was December 1, 2008. Legal counsel will continue to monitor for payment on claim. As of May 12, 2009, there has been no change in status. Petition to sell was filed by Receiver in Kent County Superior Court on June 5, 2009. Offer to property made which will allow for partial payment of claims. Legal Counsel will monitor progress of sale.

There has been no further progress regarding the sale of the Harris Mill complex in the receivership matter. Legal Counsel to contact the Receiver for a status report. New offers to purchase have come in which could allow Kent County Water Authority claim in this matter to be paid out of the receivership proceeds. As of September 14, 2009 the previous offer did not materialize. A new offer is being pursued. Legal Counsel will continue to monitor the progress of the sale. There has been no change as of May 13, 2010.

Hope Mill Village Associates

The company is in receivership. Kent County Water Authority is owed $1,632.44. Legal Counsel to prepare and file Proof of Claim. Proof of Claim was prepared and was forwarded to the General Manager for signatures. Proof of Claim was filed in Kent County Superior Court and was sent to the receiver on August 28, 2008 and as of this date this case is still pending. Hope Mill filed Chapter 11 Bankruptcy on August 20, 2008. Kent County Water Authority was not listed as a creditor. The proof of claim was prepared and signed by the General Manager on November 14, 2008 and was filed with the Bankruptcy Court on November 18, 2008, The proof of claim filing deadline was the end of November, 2008. Pursuant to the plan of reorganization filed by Debtor on November 22, 2008, Kent County Water Authority will be paid in full upon confirmation of the plant by the Bankruptcy Court and Legal Counsel will continue to monitor. As of February 17, 2009 the Court has not scheduled a hearing for confirmation of plan. Debtor will be filing an Amended Plan in March 2009. Legal Counsel will continue to monitor. As of July 16, 2009 the Debtor has not filed an Amended Plan.

The Bankruptcy Court hearing was to be held on August 19, 2009 regarding a

motion filed by Hope Mill to convert Chapter 11 to Chapter 7. Legal counsel will monitor the hearing and how the disposition of the hearing will affect the claim of Kent County Water Authority. The hearing was held on December 17, 2009. Assets purchased pursuant to Asset Purchase Agreement. Kent County Water Authority charges to be paid pursuant to Asset Purchase Agreement. Legal Counsel will follow up regarding timetable of payment to Kent County Water Authority. Legal Counsel spoke with Attorney DeAngelis on February 17, 2010 for status on payment to Kent County Water Authority.

Legal Counsel spoke with Attorney DeAngelis on May 13, 2010 and Mr. DeAngelis stated that a final closing has yet to be scheduled, but should be scheduled in the near future.

West Greenwich Wellhead Protection

Mr. Waltonen has petitioned the Town Council for West Greenwich for a zone change for AP 6, Lot 134 from residential to highway business. The subject lot abuts the wellhead protection area of Kent County Water Authority. The site is currently used for storage and grinding and dying. A portion of the subject site was previously rezoned in 1991 to Highway Business and the Petitioner appeared before the Kent County Water Authority Board at that time and a condition of the 1991 zone change was that Petitioner obtain a letter from Kent County Water Authority approving the final drainage plan. The current petition requests relief from all 1991 conditions including Kent County Water authority approval. Legal Counsel has conducted research at the West Greenwich Town Hall concerning the petition and Legal Counsel and Kent County Water Authority will monitor and present its concerns and objections to the Zoning Board and the Town Council at the respective January 20, 2009 and February 11, 2009 hearings.

Legal Counsel and the General Manager attended the January 20, 2009 Zoning Board of Review hearing and the matter was continued by the Zoning Board of Review to February 17, 2009 as the applicant had not submitted to the Board the as built plans. The Chairman had requested that the Kent County Water Authority provide a letter to the Zoning Board of Review outlining the concerns of Kent County Water Authority. Legal Counsel forwarded correspondence to the Zoning Board of Review on January 22, 2009. The matter was continued by the West Greenwich Zoning Board of Review to April 14, 2009 in that the Waltonen Attorney had not filed the necessary documents. Kent County Water Authority received some engineering from Legal Counsel for Petitioner on April 6, 2009. The Zoning Board hearing was held on April 21, 2009 and was continued to June 16, 2009. The Petitioner was required to provide to the Zoning Board within 30 days from April 22, 2009, a plan depicting existing site conditions and all items stored on the site including recreational vehicles, containers, mulch, stumps as well as aerial views and a list of all business uses. The Board also required that any plans to be submitted by application to DEM be submitted to an independent professional engineer for review prior to DEM submission. The Town engaged Shawn

Martin of Fuss & O'Neil as independent engineer consultant.

On June 16, 2009, the Zoning Board of Review required Petitioner to provide to the Board drainage calculations existing at 1992, drainage calculations for current site conditions and calculations for proposed site uses and a list and description of all business uses the site in affidavit form. The matter was continued to September 15, 2009.

Shawn Martin, PE of Fuss & O'Neil, was in attendance at the September 15, 2009 Zoning Board of Review hearing acting as independent engineer on behalf of the Town to report on the engineering submitted by applicant. Timothy Behan, PE, engineer for applicant was in attendance. Legal Counsel for Kent County Water Authority appeared on behalf of Kent County Water Authority. The Chairman is requiring the applicant to provide a more detailed description of all business uses including specific equipment on site in affidavit form. Legal Counsel reiterated the position of Kent County Water Authority in requesting engagement of its own engineer for independent review of the applicant's engineering and objection to the petition given the noncompliance of applicant in the past. The position of the Town is that Fuss & O'Neil was engaged for independent review and that applicant is to provide Kent County Water Authority with a revised list of description of uses on the site and Kent County Water Authority is to coordinate with Shawn Martin, P.E. of Fuss & O'Neil once the list is received for review and Kent County Water Authority is to provide comments to the Board prior to the November 17, 2009 Zoning Board of Review. The list of uses was not provided to Kent County Water Authority. The Kent County Water Authority forwarded its written concerns to the Town on October 1, 2009. On October 19, 2009 Kent County Water Authority was provided with subsequent engineering and a list of uses in affidavit form by Applicant's Legal Counsel for review and Kent County Water Authority responded to the Town.

A subsequent meeting of the Zoning Board of Review was held on November 17, 2009. The General Manager and Legal Counsel were in attendance as well as Legal Counsel for applicant.

The Zoning Board discussed the procedural aspect of the Waltonen application and referenced the November 17, 2009 memorandum of the West Greenwich Town Hall Planner in connection therewith. The Planner recommended that the existing violations of the site be enforced first and that the zone change be denied by the Town Council and a new application be filed by the applicant after certain actions by applicant including remedying existing violations, application to Planning Board for Development Plan Review and consultation with Rhode Island Department of Environmental Management with respect to groundwater quality.

The Chairman of the Zoning Board inquired of applicant's Legal Counsel as to why the issues raised in writing by Kent County Water Authority have not been answered to date. Legal Counsel for the applicant did not respond as he was awaiting

a response from the Department of Environmental Management prior to answering the questions of Kent County Water Authority. The Solicitor opined that the Department of Environmental Management's response is not required to answer some of the questions of Kent County Water Authority. Applicant's Legal Counsel opined that the respective engineers to wit, applicant's engineer and the Town's independent consultant, should address the concerns of Kent County Water Authority.

The Chairman recommended that the zoning and planning officials for the Town review the matter given the many existing violations of the 1991 approval and the Town await the findings of this review and the applicant's engineer and the Town's independent consultant review and address the concerns of Kent County Water Authority and the Zoning Board review the findings of the zoning official separate from the petition for zone change. This matter was continued by the Zoning Board to February 16, 2010. On February 16, 2010, the Zoning Board meeting was continued to March 16, 2010. On March 15, 2010, the Zoning Board meeting was continued to April 20, 2010.

On April 20, 2010, Legal Counsel for Petitioner informed the Zoning Board of the ongoing review process with Rhode Island Department of Environmental Management and that a notice of violation was issued by the Rhode Island Department of Environmental Management. RIDEM is first addressing enforcements and then conducting a project review. A new plan was submitted to RIDEM on April 1, 2010. A formal hearing with DEM will take place the end of June. The Chairman of the Zoning Board stated that several existing site conditions did not satisfy the 1991 approval. Therefore, the Zoning Board requires the Petitioner to provide an affidavit as to the current uses on the site/business listing. The Chairman further stated that materials located on the site were moved to perform the "as is" survey/existing site conditions. Dr. Fish stated that the Petitioner must satisfy every party's standards including those of Kent County Water Authority. The meeting was continued to June 15, 2010.

<u>West Greenwich Technology Tank/Rockwood</u>

This matter may be in litigation in that Rockwood Corporation had failed to take any steps and continually denied Kent County Water Authority efforts to take any steps in the painting issues inside of the tank and on February 16, 2009 their surety, Lincoln General Insurance Company, denied the claim as well. The matter was reviewed between the General Manager and Legal Counsel. Rockwood sent a proposal to Legal Counsel on March 31, 2009 and the General Manager weighed the same and a response was sent to Rockwood on April 24, 2009. On May 2, 2009 Rockwood sent another proposal and the General Manager responded to the same on May 8, 2009 requesting a written remedial plan proposal within ten days. On May 8, 2009 Rockwood responded by asking the General Manager to reconsider his position. On May 12, 2009 the General Manager sent correspondence to Rockwood stating the Authority will await Rockwood comments to KCWA letter of May 8, 2009. On May 13,

2009 Rockwood provided an additional response to the KCWA letter of May 8, 2009 with questions. On May 13, 2009 the General Manager sent correspondence agreeing to provide Rockwood with more time to complete a plan of remediation for an additional 10 days. On May 14, 2009, Rockwood sent a response and the General Manager, Merithew and Rockwood to have an informal meeting to work out details. The meeting took place and the Authority is monitoring the efforts of Rockwood to remedy the situation. The tank was recently dry inspected and the vendor remediated the same. Kent County Water Authority is awaiting final inspection of the tank with respect to the remediation. Rockwood has performed work at the site and it is necessary to have a final inspection after the tank has been filled. The tank has been filled and inspection is moving forward. This should be concluded shortly.

Comptroller of the Currency

On October 16, 2008, Kent County Water Authority resolved to change the Trustee from US Bank to bank of NY Mellon regarding 2001/2002/2004 bond issue trust administration to be effective January 23, 2009. That on October 17, 2008, Kent County Water Authority timely notified US Bank concerning the transfer of trusteeship. On approximately January 20, 2009, the US Bank announced that it would require $6,650.00 as transfer fees to accomplish ownership to the Bank of NY Mellon. Additionally, the US Bank kept $1,667.67 of fees that were previously unused. That in order for the closing and transfer to take place, Kent County Water Authority on January 22, 2009 paid the sum of $6,650.00 under protest and stated its displeasure with the US Bank and thereby stating that it would not jeopardize its bondholders and therefore paid the same and also sent a copy to the Controller of the Currency. On March 4, 2009 the Controller of the Currency stated that the US Bank would be replying directly to Kent County Water Authority. On March 11, 2009 Kent County Water Authority received a response from US Bank which was totally unsatisfactory. On March 31, 2009, Kent County Water Authority notified the Controller of the Currency concerning the unsatisfactory response of US Bank dated March 11, 2009 and reiterated its position. On June 30, 2009 US Bank sent a check in the amount of $1,666.67 and it was received by Legal Counsel on July 6, 2009, saying that the same was a bookkeeping error as exhibited on the check. That on July 7, 2009 Kent County Water Authority sent a letter to US Bank with a copy to the Controller of the Currency that the amount for advance services paid was acknowledged and that Kent County Water Authority has not acknowledged its exception to extracting at the 11th hour ransom of $6,650.00 on January 12, 2009 and it will continued pursuit of its claim with the Controller of the Currency. A follow up letter was sent to the Controller of the Currency on August 21, 2009 and will await a response. A follow up letter was sent on December 17, 2009. The General Manager received a response from the Comptroller of the Currency on January 8, 2010 and on January 11, 2010, Legal Counsel received a response letter from the Comptroller of the Currency which deemed that the complaint is still active. Legal Counsel has been monitoring the status via the website provided by the Comptroller and there is no updated status as of May 20, 2010 and Legal Counsel sent a follow up letter on May 20, 2010.

West Greenwich Taxes

On July 1, 2009, Kent County Water Authority received a letter from the Solicitor for the Town of West Greenwich requesting that Kent County Water Authority make tax payments equivalent to the taxes assessed on real estate owned by Kent County Water Authority based on the year prior to the date Kent County Water Authority acquired the property. The Town requested the amount of $10,466.75 plus the current 2009 tax year. A schedule accompanying the letter set forth unsupported taxes totaling $1,495.25 per year.

Legal Counsel for Kent County Water Authority sent a written response on July 2, 2009 to the Solicitor along with a letter from the West Greenwich Tax Assessor dated July 27, 2001 evidencing the payment due in lieu of real estate taxes at $364.43 per year. Kent County Water Authority made this payment to the Town each year as billed. The billing ceased at 2001. Kent County Water Authority has offered to pay to the Town in lieu of taxes the sum of $2,915.44 representing tax years 2002-2009. No counter response has been received from the Town. On January 20, 2010, Legal Counsel sent a follow up letter to the Town and a response from the Town has not been received to date. On March 22, 2010, Legal Counsel sent a follow up letter to Mr. Ursillo via certified mail, return receipt requested. On March 29, 2010, Mr. Ursillo replied to Legal Counsel stating that he would respond upon reviewing the matter with the West Greenwich Tax Assessor. As of May 1, 2010, a response has not been received from the Town of West Greenwich Solicitor.

Spectrum Properties, The Oaks, Coventry, Rhode Island

Legal Counsel for the developer forwarded on July 13, 2009 to Kent County Water Authority Legal Counsel for comment on the proposed form of easement deeds with respect to the residential subdivision. On July 29, 2009, Legal Counsel for Kent County Water Authority sent a response to Attorney William Landry setting forth comments to the proposed form of deeds. Legal Counsel received revised deeds from Attorney Landry on September 10, 2009 and they have been forwarded to the General Manager for review and have been approved by the General Manager. On September 24, 2009, Legal Counsel forwarded to Attorney Landry correspondence starting that the form of easement deed has been approved by Kent County Water Authority and for Attorney Landry to forward the original executed deeds to Kent County Water Authority for execution of acceptance. Legal Counsel has not received the deeds to date therefore Legal Counsel forwarded status inquiry correspondence to Attorney Landry on November 18, 2009. Attorney Landry replied to Legal Counsel on November 23, 2009 stating that the developer is in the midst of scheduling a final approval hearing with the Town and Attorney Landry will provide Legal Counsel for KCWA with the anticipated timetable for final approval and recording of the deeds upon Mr. Landry's receipt of this information.

Legal Counsel pursing Attorney Landry for status of his receipt of timetable for municipal approvals. Legal Counsel telephoned Attorney Landry and left a voicemail message as to status and subsequently forwarded correspondence to Attorney Landry on March 11, 2010 and awaiting a response. On May 11, 2010, Legal Counsel forwarded subsequent correspondence to Attorney Landry inquiring as to the status of the matter.

49 Hebert Street

A complaint was recently filed by the owner of 49 Hebert Street, West Warwick who built a home on subdivisional land albeit, she was aware that the property would not be serviced by Kent County Water Authority because of neighborhood pressure issues. Legal Counsel answered the matter and filed a Data Request (10/5/09) of the Complainant. The pre-hearing conference was held on November 23, 2009 and a schedule of discovery was set and the matter was heard on February 9, 2010 and the Complainant agreed to install a well subject to engineering which would avert the necessity of further hearings. The General Manager and Legal Counsel will continue to monitor the status. Legal Counsel has spoken to Laffey, Esq. and the owner is pursuing the well with Pare Engineering as the parties had agreed that Pare Engineering would give a report concerning the well installation. The report was finalized on April 2, 2010 and the Hearing Officer concluded that the well should be drilled and the Complainant has not been compliant with her agreement.

Coventry Water Treatment Plant (Mishnock)

Kent County Water Authority has filed a Development Plan Review Application with the Coventry Rhode Island Planning Commission and an application with the Coventry Zoning board for a special use permit to construct a water treatment facility with respect to three (3) wells located on Coventry Assessor's Plat 2, Lot 6 (located off of Nooseneck Hill Road, Coventry, Rhode Island).

The General Manager and Legal Counsel appeared before the Coventry Planning Commission on April 28, 2010 to schedule a site walk with the Planning Commission, said site walk occurring on May 11, 2010. The General Manager familiarized the Commission with the site and proposed improvements. The General Manager and Legal Counsel will next appear before the Planning Commission on May 26, 2010 for a pre-application conference. The application for the special use permit will be heard by the Zoning Board of Review on June 2, 2010. If the permit is granted by the Zoning Board, the Development Plan Review will then be heard by the Planning Commission on July 28, 2010.

Director of Finance Report:

The General Manager stated that the poor state of the economy is hampering the collection process and Kent County Water Authority is working very hard on collections

and that due to the flood the sales will continue to be burdened.

Joanne Gershkoff, Finance Director, explained and submitted the financial report attached as "**E**" and comparative balance sheets attached as "**F**", statements of revenues, expenditures, cash receipts, disbursements attached as "**G**" through April, 2010, and after thorough discussion, especially with regard to the sales and revenue shortfalls and that shut offs and payment plans will be necessary,

Board Member Gallucci moved and seconded by Board Member 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 and it was unanimously,

> VOTED: That the financial report attached as "**E**", comparative balance sheet attached as "**F**" and statement of revenues, expenditure, cash receipts, disbursements attached as "**G**" through April, 2010 be approved as presented and be incorporated herein and are made a part hereof.

Point of Personal Privilege and Communications:

Board Member Masterson referred to the Kent County Water Authority Consumer Confidence 2009 Annual Report attached as "**H**" which is a Federal requirement and congratulated the General Manager and staff on a job well done

GENERAL MANAGER/CHIEF ENGINEER'S REPORT
Old Business

KCWA Rate Case Review Status (Docket #3942)

The Supreme Court is to issue to a decision.

Rate Case Revenue Shortfall, Docket #4142 Status

The PUC favorably ruled on the rate request in April and the report and order is pending. The General Manager stated that Kent County Water Authority was very effective at the PUC hearings concerning Docket #4142. He stated that the Commissioners reiterated the healthcare insurance co-payment as ordered in the previous rate case #3942 of 10% and Commissioner Roberti stated for the record that Kent County Water Authority was trimming expenses in these economic times.

KCWA Pass Through of PWSB, Docket 4067

The pass through request was favorably ruled upon by the PUC and Kent County Water Authority awaits the Report and Order.

New Business

Construction Services Mishnock Treatment Plant Proposal for Approval

The zoning/planning issues have been continued.

Health Care Discussion

The General Manager gave a handout to the Board Members as evidenced and attached as **"I"** regarding the marketing of different healthcare coverages and it is very difficult to compare the offerings of the different companies. He stated it appears to be an increase and the subject will be explored at the next meeting. The General Manager fully reviewed the summary (**"I"**) to the Board. He stressed that this information is preliminary and he will have more complete data for the next Board meeting.

Worker's Compensation Discussion

The General Manager stated that two major claims raised the Kent County Water Authority rating from $42,000 to $54,000 and he is going before the Beacon Insurance Co. committee to seek a 30% reduction. The General Manager expects that the increase will continue into the future and that there is no other option because of an unfair rating predicament.

Water Resources Board Partnership, Modeling Request

The General Manager, Chairman Boyer, Board Member Masterson and Legal Counsel attended a meeting with the Water Resources Board on April 19, 2010 which was to be a work session which did not constitute a quorum of Kent County Water Authority Board. He stated that it was questionable regarding the Water Resources Board modeling issues. The General Manager told the Water Resources Board that before serious conversation can take place there must be a study by the Water Resources Board as to the benefits which Kent County Water Authority can receive from the Big River Reservoir well water and as to where it will be received and at what rate and price.

Board Member Masterson stated that the Kent County Water Authority mission to obtain its own water production is and has been the model which the Kent County Water Authority should continue to follow, especially, since the Water Resources Board has not done its due diligence. June Swallow, Chief of the Department of Health drinking water section, stated that Kent County Water Authority should continue to proceed with Mishnock for more self-sufficiency. Chairman Boyer stated that much time has elapsed without Big River wells results and no customers for the Big River

Reservoir well water. The General Manager agreed with the Chairman Boyer and Kent County Water Authority should proceed in its mission especially with Mishnock treatment plant. The General Manager stated that General Manager Burke of the Water Resources Board was invited to this meeting but did not choose to appear. The General Manager reiterated that due diligence by the Water Resources Board is needed and that Kent County Water Authority has no money to assist.

New Hire Equipment Operator

The General Manager informed the Board that he interviewed and reviewed applicants for the position of Equipment Operator. The General Manager recommended Brian Galeski for the position subject to the applicant follow-up procedures and he was tested and is an excellent candidate and was posted and no present employees applied. Board Member Masterson asked about his background and the General Manager related the extensive resume and mentioned that the candidate is a crane operator as well.

Board Member Gallucci stated that according to the recent Handbook (2003) and prior hiring policy since 1995 that the recommendation of the General Manager has worked well in the past and he is satisfied with the results. Board Member Masterson stated that the hiring policy is very important for the integrity of the Authority.

After discussion, Board Member Gallucci moved and it was seconded by Board Member Masterson to hire Brian Galeski as an Equipment Operator subject to two years probation and the regular pre-hiring due diligence of successful drug testing, BCI record checks and follow-up procedures by the General Manager and adherence to the established entry level salary and it was voted by Board Member Boyer – yes, Board Member Gallucci,-yes and Board Member Masterson - yes,

> VOTED: To hire Brian Galeski as Equipment Operator subject to two years probation and the regular pre-hiring due diligence of successful drug testing, BCI record checks and follow-up procedures by the General Manager and adherence to the established entry level salary.

Employee Review (4:00 p.m.)

The Chairman stated that the employee affected was notified in writing on May 5, 2010 at 3:45 p.m. that a discussion of job performance, character, physical or mental health was to be held in executive (closed) session at 4:00 p.m. by the Board of Kent County Water Authority unless the employee affected required the proceeding to be held at an open meeting. The employee affected did respond and did appear and requested that the meeting be in executive (closed) session.

After the notice statement was read by the Chairman, the Chairman declared that it be noted in the minutes of the meeting that R.I.G.L. 42-46-5(a)(1) has been fully

complied with.

Board Member Masterson moved and Board Member Gallucci seconded the motion to move into executive session for the discussion of job performance, character, physical or mental health pursuant to R.I.G.L. 42-46-4 and 42-46-5(a)(1) and it was voted by Board Member Boyer – yes, Board Member Gallucci,-yes and Board Member Masterson - yes,

VOTED: To enter into executive session for discussion of personnel matters pursuant to R.I.G.L. 42-46-4 and 42-46-5(a)(1).

Board Member Masterson moved and Board Member Gallucci seconded to exit executive session and to keep the executive session minutes closed and that the minutes shall remain under seal pursuant to R.I.G.L. 42-46-4 and 42-46-5 and it was voted by Board Member Boyer – yes, Board Member Gallucci,-yes and Board Member Masterson - yes,

VOTED: To exit executive session and to keep the executive session minutes closed and that the minutes shall remain under seal pursuant to R.I.G.L. 42-46-4 and 42-46-5.

CAPITAL PROJECTS:
INFRASTRUCTURE PROJECTS

All other Capital Projects and Infrastructure Projects were addressed by the General Manager and described to the Board by the General Manager with general discussion following and are evidenced and attached as "**J**".

Board Member Masterson made a Motion to adjourn, seconded by Board Member Gallucci and it was voted by Board Member Boyer – yes, Board Member Gallucci,-yes and Board Member Masterson - yes,

VOTED: To adjourn the meeting at 5:43 p.m.

_____
Secretary Pro Tempore

EXHIBIT A

Board Meeting

May 20, 2010

KENT COUNTY WATER AUTHORITY

Kent County Water Authority
Pension Plan

Actuarial Funding Valuation
Plan Year Beginning January 1, 2010

April 2010

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PURPOSE AND ACTUARIAL STATEMENT

As requested by the Kent County Water Authority, this report documents the results of an actuarial valuation of the Kent County Water Authority Pension Plan. The primary purpose of this valuation is determination of the contribution requirements for the plan for the plan year beginning January 1, 2010 and ending December 31, 2010 and should not be relied on for other purposes.

The results of this valuation are based on data and other information provided by the Kent County Water Authority. We have examined the data for reasonability and consistency with prior results, but we have not performed a formal audit. We have relied on all of the information provided, including plan provisions and asset information, as complete and

This valuation involves actuarial calculations that require assumptions regarding future events. We believe that the assumptions used are appropriate for the purposes for which they have been used.

To the best of our knowledge, the calculations contained herein, the procedures followed and presentation of results have been completed in accordance with generally accepted actuarial principles and practices. The undersigned consultants possess the actuarial credentials required to meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained herein.

There is no relationship between the Kent County Water Authority and Summit Financial Corporation that would impair or appear to impair our objectivity.

Jason A. Denton, F.S.A., E.A.
Consulting Actuary

4/16/2010
Date

Scott Boulay, A.S.A., E.A., M.A.A.A.
Consulting Actuary

SUMMARY OF KEY RESULTS

SUMMARY OF KEY RESULTS

Summary of Changes from Prior Fiscal Year

Contribution History

Plan Year Beginning	1/1/2010	1/1/2009	1/1/2008
Minimum Required Contribution	$ 214,026	$ 258,392	$ 193,619
Fiscal Year Beginning	**7/1/2009**	**7/1/2008**	**7/1/2007**
Minimum Required Contribution [1]	$ 236,209	$ 226,006	$ 174,097
Actual Amount Contributed	$ 260,000	$ 193,619	$ 206,000

Key Assumptions & Provisions

Appendix A summarizes the actuarial assumptions and cost methods used to determine plan liabilities. There have been no changes in assumptions or methods since the last valuation.

Appendix B summarizes key provisions of the plan as of the valuation date. To our knowledge, there have been no changes in any key plan provisions since the last valuation and none are pending.

Comments on Results

The annual required contribution decreased from $258,392 for 2009 to $214,026 for 2010. This decrease in cost is due primarily to the 6.4% decrease in average compensation from 2008 to 2009 as well as the asset gains in the prior plan year. The liability funding percentage under the Entry Age Normal funding method has increased from 69.6% as of January 1, 2009 to 78.6% as of January 1, 2010.

1 - Fiscal year contribution requirements calculated by averaging the contribution requirements for the Plan years beginning and ending during the fiscal year.

SUMMARY OF KEY RESULTS

Participant Information

Participant Information

Key figures with respect to the participant data used in this actuarial valuation are summarized below along with comparable information from prior years.

Plan Year Beginning	01/01/2010	01/01/2009	01/01/2008
Participating Employees			
Number	31	30	32
Number with Vested Benefits	27	28	31
Number Fully Vested (7 years of service)	23	20	22
Average Attained Age	46.0	45.7	45.8
Average Credited Service	12.9	13.5	13.8
Average Annual Pay	$ 52,090	$ 55,637	$ 54,845
Average Annual Benefit	$ 10,177	$ 10,108	$ 10,443
Participants with Deferred Benefits			
Number	8	7	6
Average Attained Age	50.1	51.6	51.5
Average Annual Deferred Benefit	$ 3,550	$ 3,728	$ 3,862
Participants Receiving Benefits			
Number	23	22	21
Average Attained Age	72.2	72.2	72.1
Average Annual Benefit	$ 12,492	$ 12,993	$ 10,853

Kent County Water Authority Pension Plan

Reconciliation of Plan Data

	Active Participants	Vested Term Participants	Retirees	Beneficiaries	TOTAL
Participants as of January 1, 2009	30	7	22	0	59
+ New hires	3	0	0	0	3
+ Acquisitions	0	0	0	0	0
- Non-vested terminations	0	0	0	0	0
- Vested terminations	(1)	1	0	0	0
- Rehired employees	0	0	0	0	0
- Retirees	0	0	0	0	0
- Beneficiaries	0	0	0	2	2
- Deaths	(1)	0	(1)	0	(2)
- Disabled participants	0	0	0	0	0
- Lump Sum Distributions	0	0	0	0	0
- Data adjustments	0	0	0	0	0
Participants as of January 1, 2010	**31**	**8**	**21**	**2**	**62**

KENT COUNTY WATER AUTHORITY PENSION PLAN

Age & Service Chart

	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	1	1	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	2	0	0	1	0	0	0	0
40 to 44	0	1	2	1	1	2	0	0	0	0
45 to 49	0	1	3	3	1	1	0	0	0	0
50 to 54	0	1	0	3	0	2	0	2	0	0
55 to 59	0	1	0	0	0	1	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0	0
65 to 69	0	0	0	0	0	0	0	0	0	0
70 and up	0	0	0	0	0	0	0	0	0	0

SUMMARY OF KEY RESULTS

Assets and Liabilities

Plan Assets

The market value of assets and actuarial (smoothed) value of assets are shown below for both current and prior plan years.

Plan Year Beginning	01/01/2010	01/01/2009	01/01/2008
Value of Assets			
Market Value of Assets (MVA)	$ 3,499,204	$ 2,940,501	$ 3,932,168
Actuarial Value of Assets (AVA)	3,928,333	3,528,601	3,932,168
Rate of Return on Assets			
Market Value of Assets	19.93%	-24.08%	5.28%
Actuarial Value of Assets	12.07%	-9.02%	5.28%

Plan Liabilities

We have provided a summary of key liability measures for the current plan year below along with comparable information from prior plan years.

Plan Year Beginning	01/01/2010	01/01/2009	01/01/2008
Present Value of Future Benefits	$ 6,058,884	$ 6,184,890	$ 5,983,592
Normal Cost (plan funding)	199,558	240,925	180,531
EAN Actuarial Accrued Liability	4,998,203	5,073,463	4,812,595
EAN Normal Cost	104,956	106,055	105,809
Interest Rate	7.25%	7.25%	7.25%

Funding Ratios

We have provided a summary of key funding ratios for the current plan year below along with comparable information from prior plan years.

Plan Year Beginning	01/01/2010	01/01/2009	01/01/2008
Actuarial Value of Assets to Present Value of Future Benefits	64.8%	57.1%	65.7%
Actuarial Value of Assets to Actuarial Accrued Liability	78.6%	69.6%	81.7%

ACTUARIAL EXHIBITS

SUMMARY AND COMPARISON OF RESULTS

Key Valuation Measurements

Plan Year Beginning		1/1/2010		1/1/2009
Present Value of Future Benefits				
- Active participants	$	3,386,448	$	3,465,630
- Vested terminated participants		151,228		137,888
- Retirees, beneficiaries, and disabled participants		2,521,208		2,581,372
- TOTAL	$	6,058,884	$	6,184,890
Actuarial Value of Assets less Credit Balance		3,928,333		3,528,601
Present Value of Future Normal Costs (PVFNC)	$	2,130,551	$	2,656,289
Present Value of Future Salaries	$	17,757,233	$	18,954,721
Current Payroll		1,663,231		1,719,191
Temporary Annuity Factor		10.676348		11.025372
Normal Cost (plan funding) = PVFNC / Temp Annuity Factor	$	199,558	$	240,925
Entry Age Normal Actuarial Accrued Liability				
- Active participants	$	2,325,767	$	2,354,203
- Vested terminated participants		151,228		137,888
- Retirees, beneficiaries, and disabled participants		2,521,208		2,581,372
- TOTAL	$	4,998,203	$	5,073,463
Normal Cost (EAN, includes assumed expenses)	$	104,956	$	106,055
Plan Assets				
- Market Value of Plan Assets (MVA)	$	3,499,204	$	2,940,501
- Actuarial Value of Plan Assets (AVA)		3,928,333		3,528,601
- Receivable contributions included in assets		0		0
Minimum required contribution	$	214,026	$	258,392
Actual Contribution History		TBD	$	260,000
Key Assumptions				
- Valuation interest rate		7.25%		7.25%
- Rate of compensation increase		3.00%		3.00%

RECONCILIATION OF PLAN ASSETS

Results for Plan Year Ending December 31, 2010

	Market Value	Actuarial Value
Reconciliation of Assets During Plan Year		
Plan assets at the beginning of the prior plan year	$ 2,940,501	$ 3,528,601
Employer contributions		
- Deposited during the prior plan year	260,000	260,000
- Receivable at the beginning of the prior plan year	0	0
- SUBTOTAL	$ 260,000	$ 260,000
- Receivable at the beginning of the current plan year	0	0
- TOTAL	$ 260,000	$ 260,000
Participant benefit payments	(284,793)	(284,793)
Administrative expenses paid by the plan	0	0
Net transfers	0	0
Investment return	583,496	424,525
Plan assets at the beginning of the current plan year	$ 3,499,204	$ 3,928,333
Form 5500 (Schedule B) Rate of Return on Invested Assets		
Plan assets at the beginning of the prior plan year (A)	$ 2,940,501	$ 3,528,601
Plan assets at the beginning of the current plan year (B)	3,499,204	3,928,333
Investment return (i)	583,496	424,525
Rate of Return = 2i / (A + B - i)	19.93%	12.07%

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Under the Adjusted Market Value Method

Expected Return on Market Value of Assets for Prior Year

		Amount	Time Weighting		Time Weighted Amount
Market Value of Assets (MVA) at beginning of prior plan year	$	2,940,501	100.00%	$	2,940,501
Contributions for prior plan year		260,000	20.28%		52,731
Participant benefit payments		(284,793)	50.00%		(142,397)
Administrative expenses paid by the plan		0	50.00%		0
Net transfers		0	0.00%		0
Total weighted asset value				$	2,850,835
Assumed rate of return on plan assets for the year					7.25%
Expected plan asset return				$	206,686

Actual Return on Market Value of Assets for Prior Year

Market Value of Assets (MVA) at beginning of prior plan year	$	2,940,501
Contributions for prior plan year		260,000
Participant benefit payments		(284,793)
Administrative expenses paid by the plan		0
Market Value of Assets (MVA) at end of prior plan year	$	3,499,204
Actual plan asset return		583,496

Investment Gain/(Loss) for Prior Plan Year $ 376,810

Development of Actuarial Value of Assets

Market Value of Assets (MVA) as of beginning of current plan year	$	3,499,204

Deferred investment gains/(losses) for last five years:

Plan Year Ending		Gain/(Loss)	Percent Recognized	Percent Deferred		Deferred Amount
December 31, 2009	$	376,810	20%	80%	$	301,448
December 31, 2008		(1,217,628)	40%	60%		(730,577)
December 31, 2007		N/A	60%	40%		N/A
December 31, 2006		N/A	80%	20%		N/A
TOTAL					$	(429,129)

Asset value adjusted for deferred gains and losses	$	3,928,333
Corridor for actuarial value:		
Minimum = 80% of market value of assets		2,799,363
Maximum = 120% of market value of assets		4,199,045
Actuarial value of assets	$	3,928,333

CALCULATION OF MINIMUM REQUIRED CONTRIBUTION

Minimum Funding Standard Account

Prior Year Minimum Funding Standard Account

Interest Rate	7.25%
Charges	
Prior year funding deficiency	0
Normal Cost	240,925
Amortization	0
Interest	17,467
Additional funding charge	N/A
Late quarterly interest	N/A
TOTAL	**258,392**
Credits	
Prior year credit balance	N/A
Employer contribution	260,000
Amortization	0
Interest	0
TOTAL	**260,000**

Current Year Minimum Funding Standard Account

Interest Rate	7.25%
Charges	
Prior year funding deficiency	0
Normal Cost	199,558
Amortization	0
Interest	14,468
Additional funding charge	N/A
Late quarterly interest	N/A
TOTAL	**214,026**
Credits	
Prior year credit balance	N/A
Employer contribution	N/A
Amortization	0
Interest	0
TOTAL	**0**
Minimum Funding Requirement	**214,026**

Reconciliation of Change in Minimum Required Contribution

Prior year minimum funding requirement as of the end of the plan year (not limited to $0 for illustration)	$	258,392
Net change in plan normal cost		(44,366)
Net change in amortization items		0
Change in credit balance		N/A
Change in additional funding charge		N/A
Net changes		(44,366)
Current year minimum funding requirement as of the end of the plan year (not less than zero)	$	214,026

ACTUARIAL ACCRUED LIABILITY

Reconciliation of Liability from Prior Year

	Plan Year Beginning 1/1/2010	Plan Year Beginning 1/1/2009
Accumulated Plan Benefits		
- Active participants[1]	$ 2,292,156	$ 2,312,039
- Vested terminated participants	151,228	137,888
- Retirees, beneficiaries, and disabled participants	2,521,208	2,581,372
- SUBTOTAL	$ 4,964,592	$ 5,031,299
- Non-vested benefits	33,611	42,164
- TOTAL	$ 4,998,203	$ 5,073,463

Reconciliation of Accumulated Plan Benefits	
- Present value of accumulated plan benefits at January 1, 2009	$ 5,073,463
- Changes attributable to:	
- Benefits accumulated (incl. gains/losses from non-investment experience)	(147,969)
- Decrease in the discount period	357,502
- Actual benefits paid	(284,793)
- Plan amendment	0
- Change of assumptions	0
- Present value of accumulated plan benefits at January 1, 2010	$ 4,998,203

1 - There are a total of 31 active participants. Of these, 23 are fully vested and 4 are partially vested.

APPENDICES

APPENDIX A: STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS

Plan Sponsor	Kent County Water Authority
Key Interest Rates	Valuation discount rate 7.25%
Compensation Increases	Compensation is assumed to increase at the rate of 3.0% annually.
Social Security Wage Base	The taxable wage base is assumed to increase 2.5% annually.
Administrative Expenses	For purposes of this valuation, we have assumed that no administrative expenses will be paid from plan assets.
Mortality	Mortality rates are assumed in accordance with the Sex-Distinct IRS 2008 Combined Static Mortality Table.
Retirement	All participants are assumed to retire at age 62 or current age, if older.
Disability	None assumed.
Disabled Mortality	Not applicable.
Representative Termination Rates	Termination of employment is assumed according to Scale T-1 from the Pension Actuary's Handbook. Representative termination rates are listed below and are the same for both males and females.

Age	Rate	Age	Rate	Age	Rate
20	5.44%	35	2.35%	50+	0.00%
25	4.89%	40	1.13%		
30	3.70%	45	0.27%		

Form of Payment	Participants are assumed to elect the normal form of annuity.
Marriage	75% of participants are assumed to be married; husbands are assumed to be three years older than wives.
Employees	No new or rehired employees are assumed for valuation purposes.
Employee Data	Employee data was supplied by Kent County Water Authority as of January 1, 2010.

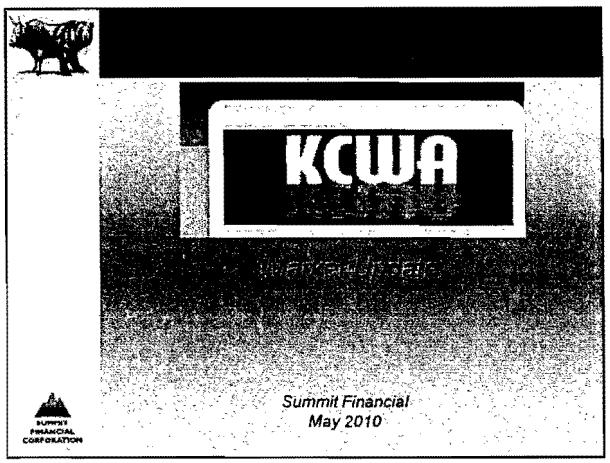
APPENDIX A: STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS

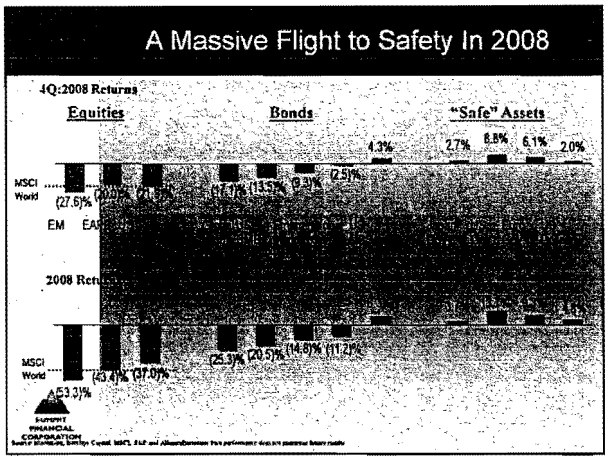
Cost Method	Aggregate funding method.
Asset Method	Actuarial value of assets is based on a five-year smoothing method. The difference between actual and expected gains and losses are recognized at a rate of 20% per year. Smoothed value of assets is adjusted, as needed, to remain within 20% of market value.
Nature of Actuarial Calculations	The results documented in this report are estimates based on data that may be imperfect as well as on assumptions with respect to future events. Certain plan provisions may be approximated or deemed immaterial and therefore are not valued. Reasonable efforts were made to ensure that items significant to the context of the actuarial liabilities and costs are treated appropriately. Future experience may differ from the assumptions used in these calculations. As differences arise, future expenses will be adjusted to reflect actual plan experience.
Changes in Assumptions and Methods Since Most Recent Actuarial Valuation	None.

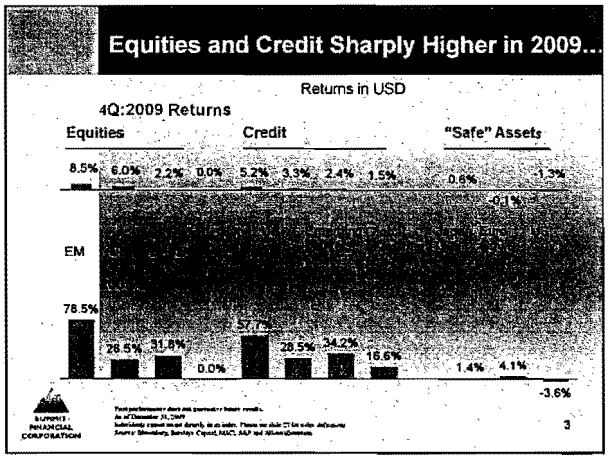
EXHIBIT B

Board Meeting

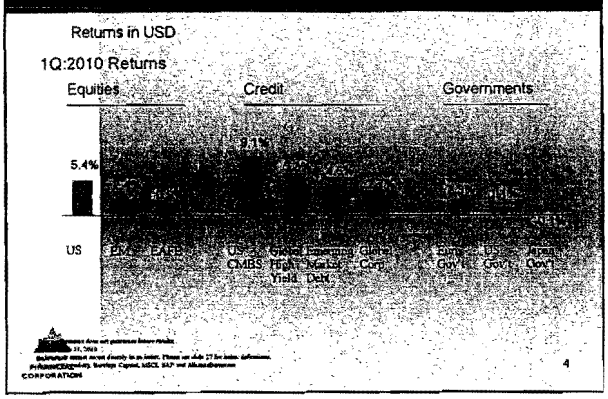
May 20, 2010


KCWA
Summit Financial
May 2010

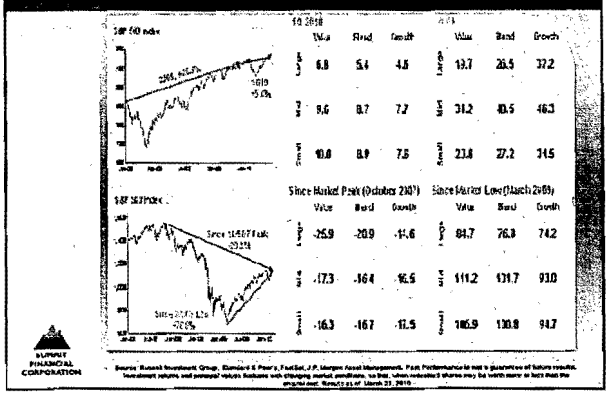

A Massive Flight to Safety In 2008
4Q:2008 Returns
Equities
Bonds
"Safe" Assets
4.3%
2.7%
6.8%
6.1%
2.0%
MSCI World
(27.6)%
(12.5)%
EM
2008 Ret
MSCI World
(43.4)%
(37.0)%
(25.9)%
(20.5)%
(14.8)%
(11.2)%
(53.3)%


Equities and Credit Sharply Higher in 2009...
Returns in USD
4Q:2009 Returns
Equities
Credit
"Safe" Assets
8.5%
6.0%
2.2%
0.0%
5.2%
3.3%
2.4%
1.5%
0.6%
-1.3%
EM
78.5%
26.5%
31.8%
0.0%
57.7%
28.5%
34.2%
16.6%
1.4%
4.1%
-3.6%
3

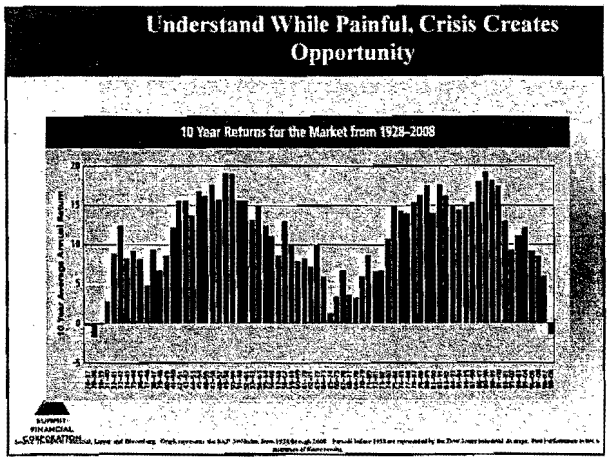
Equities and Credit Continued Their Advance



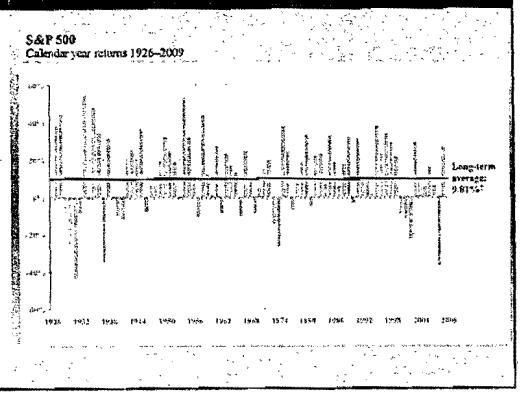
Returns By Style



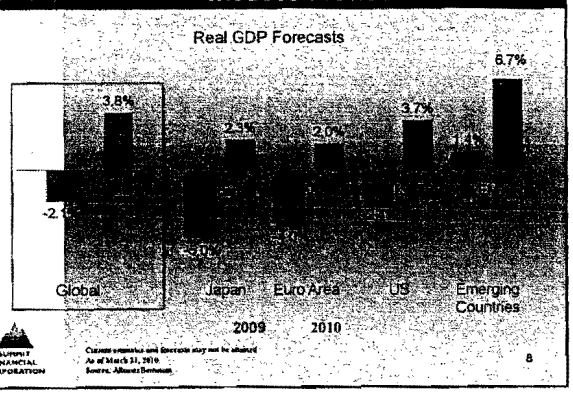
Understand While Painful, Crisis Creates Opportunity



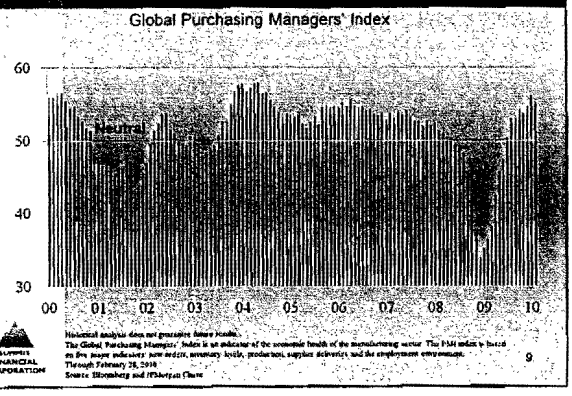
Bumpy ride to get to long-term averages



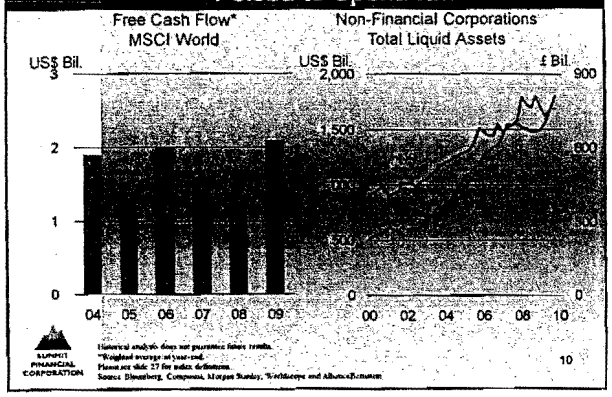
The Economic Outlook Is for Sustained Modest Growth



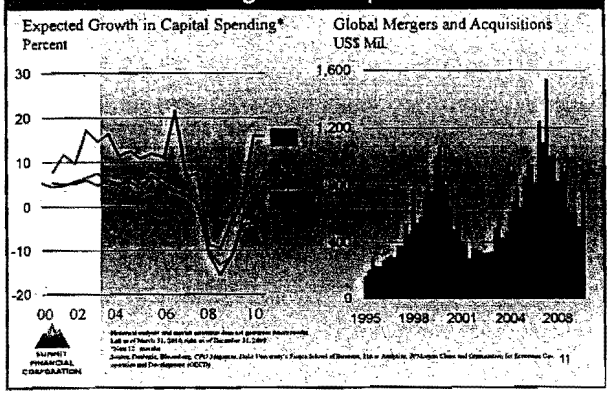
Manufacturing Is Back in Expansionary Territory



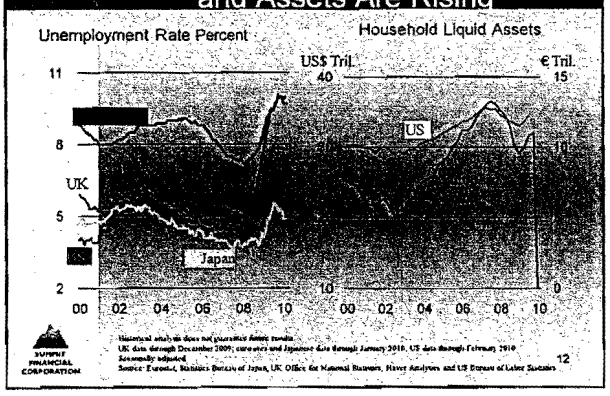
Corporations Are Flush with Cash and Poised to Spend It…



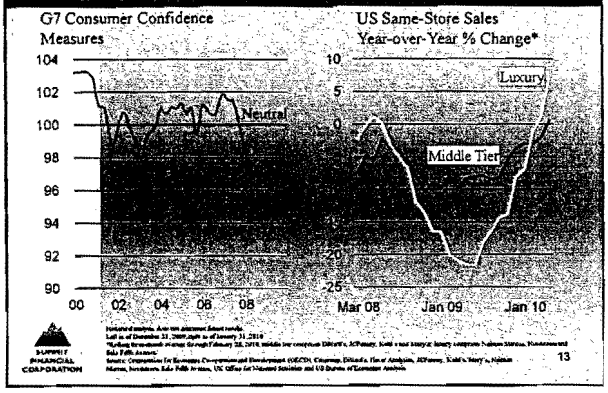
…On Capital Expenditures As Well As Mergers & Acquisitions



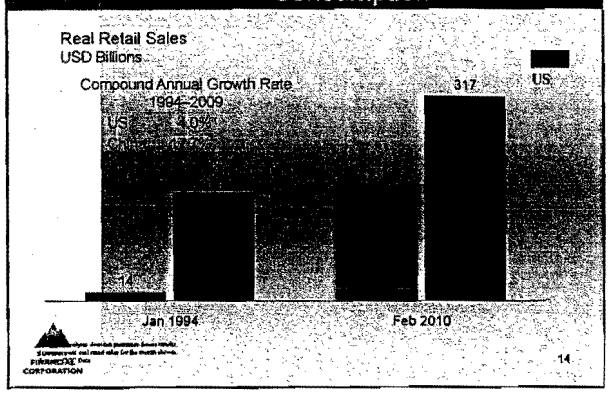
High Unemployment Is Likely Cresting and Assets Are Rising



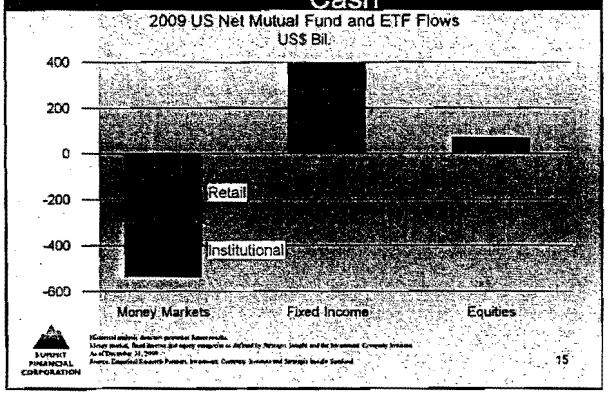
Don't Count the Developed Consumer Out



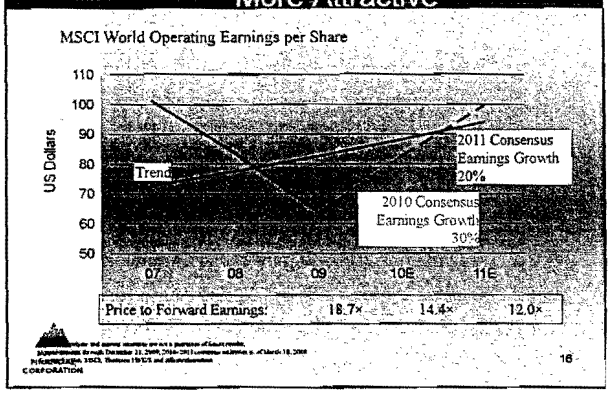
Emerging-Market Middle Class Leads Consumption



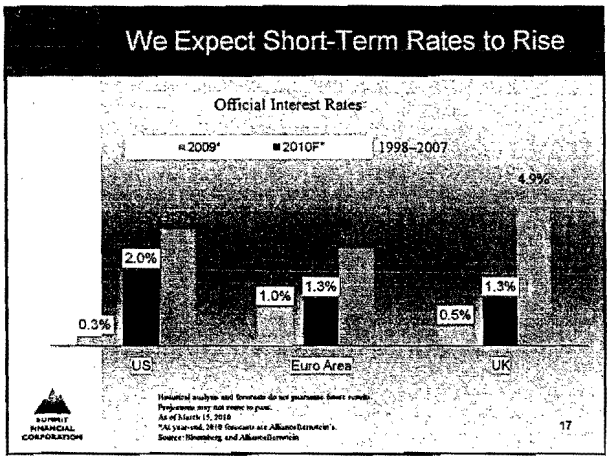
Investors Are Moving Away from Cash



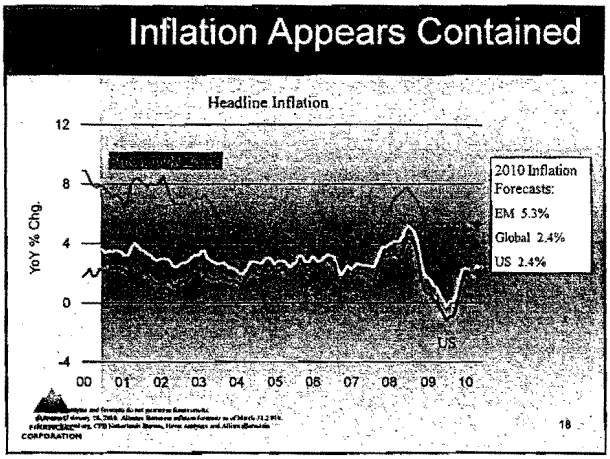
As Earnings Recover, Valuations Look More Attractive



We Expect Short-Term Rates to Rise



Inflation Appears Contained



Proposed Equity Portfolio – 60%

	Value	Blend	Growth
Large 38%	10%	Boston Company International Value Julius Baer	10% INTECH Geewax, Terker & Company
Interni 12%	Alliance Bernstein Nelson	Vanguard International Index	[illegible]
Mid 6%	[illegible]	Vanguard Mid Cap Index	[illegible]
Small 4%	All Pro Small Value 1% Vanguard Small Value Index 1%		All Pro Small Growth 1% Vanguard Small Growth Index 1%

SUMMIT FINANCIAL CORPORATION

Proposed Fixed Income Portfolio 40%

	Short	Intermediate	Long	
	15% Fixed Funds	10% All Pro Diversified Bond BlackRock Financial Management [illegible] Asset Management	5% Vanguard Inflation Protected Securities	High Quality 30%
	[illegible]	Vanguard High Yield Bond Index	[illegible]	Low 3%

SUMMIT FINANCIAL CORPORATION

Questions???

Summit Financial Corporation

Please note this information is provided for plan sponsor use only in meeting fiduciary obligations to help employees prepare for retirement. It is not to be construed as advertising or sales literature and is not for distribution to plan participants. Securities offered through Ogilvie Securities Advisors Chicago Illinois

SUMMIT FINANCIAL CORPORATION

A Word About Risk

Past performance is no guarantee of future results. The investment return and principal value of an investment in any Fund will fluctuate as the prices of the individual securities in which they invest fluctuate, so that shares, when redeemed, may be worth more or less than their original cost.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be "value" stocks are able to turn their business around or successfully employ corrective strategies that would result in stock prices that rise as initially expected.

Investment in foreign securities may present additional risks [illegible] the possibility of [illegible] Fund [illegible] chan[illegible] unpr[illegible]

With [illegible] inve[illegible] opio[illegible] case[illegible] Fund's [illegible]

Fixed-income securities may lose value if interest rates rise or fall; long-term securities tend to rise and fall more than short-term securities. The values of mortgage-related and asset-backed securities are particularly sensitive to changes in interest rates due to prepayment risk.

SUMMIT FINANCIAL CORPORATION

Important Fund Disclosure Information

You should consider the investment objectives, risks, charges and expenses of any fund/portfolio carefully before investing. For free copies of any prospectuses, which contain this and other information, visit us [illegible]

SUMMIT FINANCIAL CORPORATION