

RI Water Resources Board (or Corporate)

100 North Main Street

Providence, Rhode Island 02903

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FINANCE COMMITTEE

Minutes of Meeting

December 14, 2004

Members Present: Members Absent:

William Penn, Chairman

Jon Schock

John Milano

Staff Present: Guests

Brian Riggs

Kathleen Crawley

1. CALL TO ORDER

With a quorum present, Chairman Penn called the meeting to order at 11:07 a.m.

2. APPROVAL OF MINUTES

A. A motion was made by Mr. Penn to open up comments on the November 9, 2004 minutes. On a motion by Mr. Schock and seconded by Mr. Milano, the vote was unanimous to accept the November 2004 minutes as presented.

3. REPORTS

A. Chief Business Officer's (CBO) Report—Water Resources Board

Mr. Riggs, Chief Business Officer, noted the report is fiscal year to date through November 30, 2004. The FY 2005 appropriation is \$2,728,478, the expenditures are \$710,250 and encumbrances are \$1,336,254 with an unencumbered balance of \$681,975. The current year's November surcharge receipts were \$83,448 more than November 2003. The YTD receipts collected by the Water Resources Board show a negative variance of \$128,021 versus previous YTD collections. This amount is comprised of negative variances of \$88,793 and \$6,728 over previous years YTD surcharges and Big River rental income respectively as well as a negative variance of \$32,500 for the Amgen parking lot rental. The Amgen rental fee was

first collected in July 2003 for a prorated amount accounting for this variance versus previous year and the final payment was made for September 2004. Mr. Penn questioned if the unencumbered balance would be sufficient for the remainder of the fiscal year. Mr. Riggs stated that he believed it would. Mr. Penn questioned if the land use study was the reason that contractual services had a positive variance. Mr. Riggs stated that this was the case in addition to the surcharge audits. Mr. Riggs stated that this section of the report does not show encumbrances and is therefore not a true picture of the variances to year to date budgeted amounts. Mr. Riggs explained that the positive variance in grants and benefits was attributable to payments for the students in the BRMA that is paid at the end of the year. Mr. Milano questioned the negative variance in restricted receipts. Mr. Riggs explained that bills are paid as they are received and that this fund source would not be overspent for the year. Mr. Schock requested that the line that reflected the Amgen revenues be deleted. Mr. Riggs stated that he would do this beginning next month. Mr. Milano stated that surcharge receipts were increasing. He then questioned why this was happening. Upon analysis Mr. Penn stated that there were large deposits that had caused this increase. Mr. Schock requested that a line be added on the surcharge page that would show the previous years monthly totals for surcharges. Mr. Riggs stated that he would add the line and then recommended that he also add a line that showed the percent change year over year. This was accepted. Mr. Milano questioned the variance from spent to budgeted on the medical benefits. Mr. Riggs stated that this was a

number that is calculated by the Budget Office and is their best estimate of costs at the time and also includes one less individual until the General Manager position is filled. This number can be revised by the Budget Office during the year. On a motion by Mr. Schock and seconded by Mr. Milano, the vote was unanimous to approve the November CBO report.

B. Chief Financial Officer's (CFO) Report—Water Resources Board Corporate

Mr. Riggs stated that the CFO Report reflects the activity on a cash basis for the month of November. One payment was made during November in the amount of \$208.40 to Konica Minolta. The interest received during the month of November was \$33.09. The Water Quality Protection Fund ended the month with a balance of \$114,876.12. Mr. Riggs reported that the Providence Project received interest of \$4.60 on investments in November. The balance in the Providence Project fund at the end of the November was \$710,834.16. Mr. Riggs stated that the Public Drinking Water Quality Protection Fund Administrative Accounts reflect interest received in November was \$974.83 from money market investments. The Administrative Accounts month-end balance was \$2,389,250.05. Mr. Riggs stated that the Corporate Public Drinking Water Quality Protection Fund received interest in the amount of \$6,461.92 and ended the month with a balance of \$5,584,701.38. Mr. Penn questioned the increase of \$99,510.44. Mr. Riggs stated that this was due to the recalculation of the debt service reserve. The amount above the new requirement

was transferred in. Mr. Penn questioned what water suppliers had spent all of their Phase III money. Mr. Riggs stated that Block Island and Cumberland had spent all of their funds. Mr. Milano moved to approve the November CFO report and his motion was seconded by Mr. Schock. The vote was unanimous.

4. ITEMS FOR ACTION

A. Payment Requests

(1) Pawtucket Water Supply Board – Requisition #3 for Watershed Protection Land Acquisition Costs — Payment Requested: \$7,533.00; Recommended payment: \$7,533.00. Request for Approval (Enclosure 15 of Board Corporate)

Mr. Penn requested that all the Pawtucket payments be taken together. Mr. Schock agreed to this. Ms. Crawley then handed out a letter from Pamela Marchand from the Pawtucket Water Supply Board regarding brush clearance in requisition # 5. Mr. Schock questioned if the brush clearing would establish a line of sight for security reasons or to clear a line of sight. Ms. Crawley stated that she believed it was a combination of both. Mr. Penn stated that requisition #3 for legal and appraisal was within the allowable costs. Mr. Milano stated that there should be a notice to Pawtucket that if they receive the grant for brush clearing they cannot collect it through a rate increase effectively collecting twice. Mr. Schock then requested that

each requisition should be considered individually to avoid confusion. On a motion by Mr. Schock and seconded by Mr. Milano, the vote was unanimous to approve the payment of \$7,533.00 as requested.

(2) Pawtucket Water Supply Board – Requisition #4 for Raw Water Quality Improvement Protection - Signage — Payment Requested: \$983.50; Recommended payment: \$983.50. Request for Approval (Enclosure 16 of Board Corporate)

On a motion by Mr. Schock and seconded by Mr. Milano, the vote was unanimous to approve the payment as requested.

(3) Pawtucket Water Supply Board – Requisition #5 for Raw Water Quality Improvement Protection – Brush Clearance — Payment Requested: \$53,360.00; Recommended payment: \$53,360.00. Request for Approval (Enclosure 17 of Board Corporate)

Mr. Schock stated his concern over this item and whether it should be considered routine maintenance. He stated that if the Board approves this Pawtucket should be notified that this would be a one time only payment and they should maintain it through their normal budget. Ms. Crawley questioned if a letter should be sent to the PUC in regards to this matter. Mr. Milano stated that the PUC regulates

Pawtucket and a letter should be sent to inform them of this grant. Mr. Penn questioned if the \$53,360 is in addition to the \$50,000 budgeted for maintenance. Ms. Crawley stated that she believed the \$50,000 was for routine brush clearing as opposed to this request for \$53,360, which is considered out of the ordinary. Mr. Penn questioned if they would use their budgeted amount to increase the area cleared with the \$53,360 amount for a total of \$103,360. Mr. Penn stated that if this were the case it would clearly illustrate that this would be a one-time occurrence. Mr. Schock stated that they needed clarification on the questions posed. Mr. Milano questioned if brush clearing was covered previously. Ms. Crawley stated that Block Island was reimbursed but on a much smaller scale. Mr. Milano noted that almost 1,000 man-hours were used on this project. Mr. Schock requested a sight map that shows what was accomplished. Mr. Penn also requested information on how this fits into their vulnerability assessment. On a motion by Mr. Schock and seconded by Mr. Milano, the vote was unanimous to table the payment for a month to garner information from the posed questions.

(4) Town of Westerly Water Dept. – Requisition #1 Water Quality Improvement Project – Request for Reimbursement for the In-Kind Replacement of Tuberculated Water Mains — Payment Requested: \$226,087.32; Recommended payment: \$226,087.32. Request for Approval (Enclosure 18 of Board Corporate)

Mr. Penn questioned the meaning of tuberculated. Mr. Milano

informed him that this meant growth within the pipes that impedes the flow of water. Mr. Schock questioned why a 6-inch pipe is less per linear foot than 1 ½ inch pipe. Ms. Crawley stated that this question was answered but she does not recall the reason. Mr. Schock stated that this reimbursement request is for in kind replacement that would only allow for the expenses incurred had they used the same materials that were previously there. Any improvements would not be covered. Mr. Schock questioned if the superintendent is eligible for reimbursement of his time as well as supervisors. Mr. Milano questioned why there seemed to be a lack of expenses incurred with paving. Mr. Schock stated that some of these roads are dirt roads. Mr. Milano stated that the project averages less than \$30 a linear foot which is very reasonable. Mr. Schock said that this is significantly cheaper than if this was out sourced. Mr. Penn questioned why the committee approved this item with reluctance. Ms. Crawley stated that there was some question of when a tuberculated pipe was maintenance and when was it an eligible water quality improvement. Mr. Schock stated that tuberculated pipes even when flushed couldn't be prevented. Therefore it would not be a lack of maintenance that would cause this. Mr. Milano stated that Westerly qualifies under the current rules but that the Board might like to address this issue to possibly change language for future reimbursement requests. On a motion by Mr. Milano and seconded by Mr. Schock, the vote was unanimous to approve the payment as requested.

(5) Town of Westerly Water Dept. – Requisition #2 Water Quality Improvement Project – Request for Reimbursement for Elimination of “Dead End” Water Mains— Payment Requested: \$10,564.72; Recommended payment: \$10,564.72. Request for Approval (Enclosure 19 of Board Corporate)

Mr. Penn stated that number 5 and 6 could be taken together as they are the same. Mr. Penn questioned how you stop a dead end. Mr. Schock stated that this is resolved by obtaining an easement and “looping” the system. Mr. Milano stated that the costs were very reasonable. On a motion by Mr. Schock and seconded by Mr. Milano, the vote was unanimous to approve the payments as requested.

(6) Town of Westerly Water Dept. – Requisition #3 Water Quality Improvement Project – Request for Reimbursement for Elimination of “Dead End” Water Mains— Payment Requested: \$13,492.16; Recommended payment: \$13,492.16. Request for Approval (Enclosure 20 of Board Corporate)

See description in item number 5.

(7) Konica Office Products for copier service agreement rendered through November 30, 2004 - Requested Payment: \$261.84; Recommended Payment: \$261.84. (Enclosure 13 of Board Corporate)

Mr. Schock questioned if all of the overage goes to the Board

Corporate. Mr. Riggs stated that this was the case. On a motion by Mr. Milano and seconded by Mr. Schock, the vote was unanimous to approve the payment as requested.

(8) JP Morgan for trustee services rendered from 11/01/04 through 4/30/05 - Requested Payment: \$1,250.00; Recommended Payment: \$1,250.00. (Enclosure 14 of Board Corporate)

Mr. Milano questioned if this was something that was required. Mr. Penn stated that this is necessary. Mr. Penn questioned the service that was being received. Mr. Riggs stated that he is happy with the services provided. Mr. Penn questioned if they have local staff. Mr. Riggs stated that they have an office in Providence. On a motion by Mr. Milano and seconded by Mr. Schock, the vote was unanimous to approve the payment as requested.

(9) Emergency Interconnection Grant Award – North Tiverton Fire District connection to City of Fall River, Massachusetts. Increase existing grant from \$674,000 to \$1,029,218.00 - Request for approval. (Enclosure 10 of Board)

Mr. Schock stated that they had run a new main next to the existing main due to a problem with ledge. Ms. Crawley directed the Board members to a section within their package that summarizes the CEO meeting discussion of this matter. Mr. Milano stated that the current agreement for the emergency interconnection only has three years

remaining. Mr. Schock questioned if representatives from North Tiverton would be present at the Board meeting. Ms. Crawley stated that she believed that they would be present. Mr. Schock stated that he would like to hear more about the project from the people involved. Mr. Schock questioned if this could be deferred to the Board meeting. Ms. Crawley stated that additional funds would be added from the USDA and approximately \$102,000 from North Tiverton. On a motion by Mr. Schock and seconded by Mr. Milano, the vote was unanimous to defer this matter to the Board meeting.

(10) Kathleen Crawley Travel Voucher for November 2004 - Requested Payment: \$12.38; Recommended Payment: \$12.38. (Enclosure 2 of Finance)

On a motion by Mr. Schock and seconded by Mr. Milano, the vote was unanimous to approve the payment as requested.

5. ITEMS FOR DISCUSSION

(A) Emergency Water Systems Interconnection – North Tiverton Fire District connection to City

of Fall River, Massachusetts, Status of Disbursements (Enclosure 3 of Finance)

Ms. Crawley stated that this was an accounting issue. A request for reimbursement was submitted but in error was reimbursed at 100% instead of the 50% that was intended. The new project costs/requisitions are credited to the overpayment. Ms. Crawley stated that she wanted to make the Board aware of these credits even though no new payments were being made.

(B) RFP for Board Corporate Audit services from July 1, 2005 through June 30, 2008 (Enclosure 4 of Finance)

Mr. Schock questioned if there was a termination clause for non-performance after the first year of the contract. Mr. Riggs stated that this clause was not included. Mr. Schock and Mr. Penn stated that such a clause should be added. The State Auditor General's acceptance or refusal of the audit would act as the determining factor of acceptable performance. Mr. Schock stated that Ms. Partington should be contacted for this language. Mr. Schock stated that the "50 reports" that are required should read "50 final reports". Mr. Schock directed the Board that under the section Audit Reports section D speaks to a detailed schedule of travel and entertainment expenses should not be included as this should be a "hard dollar"

project. This means that no additional expenses would be entertained. The project should be bid to include all expenses. [Note: upon further inspection of the RFP the section that Mr. Schock referred to is directed toward the staff of the Water Resources Board Corporate. This does not infer that the audit firm will be reimbursed for travel and entertainment expenses]. Mr. Milano requested that language be changed from “the chairman of the board of directors” to “the chairman of the Water Resources Board”.

6. OTHER BUSINESS

Mr. Penn stated that this would be the last meeting for Mr. Milano. He questioned if there were any recommendations for a replacement. Mr. Crawley stated that Tim Brown was mentioned. Ms. Crawley had spoken to Mr. Brown about this possibility but was informed that due to a hectic schedule he would have to defer until after the first of the year at which time he would consider it. Mr. Penn stated that due to the fact that there would be new Board members appointed soon that this decision should be deferred until after those appointments. Ms. Crawley stated that Mr. Varin would be contacted to sit in on the January finance meeting to ensure coverage.

7. ADJOURNMENT

On a motion by Mr. Schock, seconded by Mr. Milano, it was unanimously approved to adjourn the meeting at 11:59 AM.

Respectfully submitted,

William Penn

Chairman

***The full proceeding of this meeting is available on audiotape by request.**

Overseeing Body: RI Water Resources Board

Public Body: RI Water Resources Board

Public Contact Information: Connie McGreavy

Posting Date: Jan. 14, 2005