

**FINANCE COMMITTEE**  
**Minutes of Meeting**  
August 9, 2005

**Members Present:**

William Penn, Chairman  
Tim Brown  
Dan Varin

**Members Absent:**

Jon Schock

**Staff Present:**

Brian Riggs  
Kathleen Crawley  
Tom Walker

**Guests**

Juan Mariscal

**1. CALL TO ORDER**

With a quorum present, Chairman Penn called the meeting to order at 11:00 a.m.

**2. APPROVAL OF MINUTES**

- A. A motion was made by Mr. Penn to open up comments on the July 12, 2005 minutes. On a motion by Mr. Brown and seconded by Mr. Penn, the vote was unanimous to accept the July 2005 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 July 31, 2005. The FY 2006 appropriation is \$2,803,450, the expenditures are \$59,452 and encumbrances are \$53,797 with an unencumbered balance of \$2,690,201. The current year's July surcharge receipts were \$43,272 less than July 2004. The YTD receipts collected by the Water Resources Board show a negative variance of \$44,784 versus previous YTD collections. This amount is comprised of a negative variance of \$43,272 over previous years YTD surcharges and a negative YTD variance of \$1,512 for Big River rental income. Mr. Penn noted an error on the YTD expenditure column. Mr. Riggs corrected the error and distributed copies to all Board members before the start of the Board meeting. Mr. Penn questioned the variance versus the budgeted amount YTD. Mr. Riggs stated that this is due to the fact that it is the beginning of the fiscal year and not many invoices have been received. Mr. Penn questioned if there were any suppliers that contributed to the negative variance YTD. It was stated that the largest variances were Providence, Smithfield and Stone Bridge. On a motion by Mr. Brown and seconded by Mr. Varin, the vote was unanimous to approve the July CBO report with the amendments to be made by the CBO.

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 July. Two payments were made during July in the amounts of \$262.87 for Konica Minolta and Partridge, Snow & Hahn for \$380.00. The interest received during the month of July was \$87.94. The Water Quality Protection Fund ended the month with a balance of \$115,267.21. Mr. Riggs reported that the Providence Project received interest of \$0.94 on investments in July. The balance in the Providence Project fund at the end of the July was \$712,279.52. Mr. Riggs stated that the Public Drinking Water Quality Protection Fund Administrative Accounts reflect interest received in July was \$2,229.44 from money market investments. The Administrative Accounts month-end balance was \$2,330,703.33. Mr. Riggs stated that the Corporate Public Drinking Water Quality

Protection Fund received interest in the amount of \$10,761.55 and ended the month with a balance of \$4,258,960.81. Mr. Penn questioned if there were payments on the Board Corporate agenda that would decrease the fund balance of Phase III funds. Ms. Crawley stated that this was the case. Mr. Varin questioned if the disbursal of funds in Phase III was moving slowly. Mr. Penn stated that he believed that it was and requested an update on each supplier with a balance. Mr. Penn stated that Pawtucket has a \$1.9 million balance. Ms. Crawley stated that they are working on a \$400,000 land deal. Mr. Penn questioned when we should contact elected officials. Mr. Varin recommended that Ms. Crawley speak with Pam Marchand before elected officials are contacted. Mr. Penn stated that this still leaves a balance of \$1.4 million with these two projects. Ms. Crawley stated that they must meet the land requirements before they can move forward with water quality projects. Mr. Varin questioned if Woonsocket's balance was due to the retirement of Jim Marvel. Ms. Crawley stated that they do have projects moving forward. Mr. Brown stated that he believed letters should be sent out. Ms. Crawley stated that this had been done three times and as recently as a month ago. Ms. Crawley stated that North Kingstown has a large land project that will significantly reduce their balance. Mr. Brown questioned Bristol's balance. Ms. Crawley stated that they are working on condemnation. Mr. Penn stated that with a revenue bond you have three years to expend the money and if you don't you can jeopardize the tax exempt status of the bond. Mr. Penn questioned Stone Bridge's balance. Ms. Crawley stated that she shows a commitment of approximately \$68,000. Mr. Penn questioned the Economic Development Corporation's balance. Ms. Crawley stated that they had come in with a proposal that was rejected. Mr. Penn stated that a fourth letter should be sent followed up with phone calls. Mr. Varin moved to approve the July CFO report and his motion was seconded by Mr. Brown. The vote was unanimous.

#### **4. ITEMS FOR ACTION**

##### **A. Payment Requests**

- (1) Konica Office Products for copier service agreement rendered through July 31, 2005 - Requested Payment: \$208.40; Recommended Payment: \$208.40. (Enclosure 2 of Finance)

Mr. Varin questioned the percentage split. Mr. Riggs stated that it was 40% Board Corporate and 60% Board. On a motion by Mr. Brown and seconded by Mr. Varin, the vote was unanimous to approve the payment of \$208.40 as requested.

- (2) Partridge, Snow & Hahn for legal services through June 30, 2005 - Requested Payment: \$58.30; Recommended Payment: \$58.30. (Enclosure 3 of Finance)

On a motion by Mr. Brown and seconded by Mr. Varin, the vote was unanimous to approve the payment of \$58.30 as requested.

##### **B. Approval Requests**

- (1) FY 2006 Revised and FY 2007 Requested Operating Budget request for approval (Enclosure 4 of Board)

Mr. Penn stated that there are major problems with the budget. These problems in FY 2006 include the under funding of the General Managers position and in FY 2007 the same under funding of the General Manager's position as well as the movement of Supplemental Water Phase II funds from general revenue to restricted receipt funds (Department of Health Safe Drinking Water Funds). Mr. Penn questioned if there is an appeals process. Mr. Riggs stated that the Budget Office sets the targets and they are the first step. The legislature has the final

say in the funding amounts. Mr. Varin stated that the letter that will accompany the budget states all of the problems. Mr. Riggs stated that the only additional funds requested in FY 2006 were for salary and benefits in the amount of \$15,784. On a motion by Mr. Brown and seconded by Mr. Varin, the vote was unanimous to approve the budget with the notation of the under funding problems in FY 2006 and FY 2007.

## 5. ITEMS FOR DISCUSSION

- (A) B & E Consulting Water Quality Protection Charge Audit Results for Warwick Water Department, Westerly Water Department, Stone Bridge Fire District and North Tiverton Fire District.

Mr. Penn stated that Tiverton is in compliance but that there is an issue with the Tiverton Power Company. Mr. Brown asked how large of a problem it was. Mr. Riggs stated that it has been going on for some time and that it is currently moving through the court system. He also stated that both parties have agreed to abide by the court findings. Mr. Varin stated that this is over the electricity that Stone Bridge Fire District is using and not paying for. Mr. Varin stated that Stone Bridge owes us approximately \$2,000. He also stated that they are the other party involved in the lawsuit. Mr. Riggs had prepared a schedule that lists the funds outstanding from the audit results. Stone Bridge is still outstanding. Mr. Brown questioned if Westerly had paid yet. Mr. Riggs stated that they had paid before he had sent the audit result letter out. Mr. Penn stated that he believed that we were reaching the point of diminishing returns on the audits in relation to the amount collected and the cost of the audits. Mr. Varin stated that maybe they should be spaced out further. Mr. Riggs stated that Warwick has paid.

- (B) Capital Bond Fund Expenditure Data (Enclosure 5 of Finance)

Mr. Penn stated that he initiated this request. He stated that he was concerned with the funds being expended in a timely manner from the G.O. Bond proceeds. Mr. Riggs explained that the spreadsheet shows the pre FY 2006 expenditures that have already been spent and the years moving forward with the amounts expected to be spent in each of those years. Mr. Penn stated that he would like to address each one individually. The Statewide Emergency Connection bonds had total bond proceeds of \$14,977,100 with \$5,759,361 spent. Mr. Penn stated that the State pools bonds when they issue them with many small issues encompassing the larger one. Mr. Penn stated that we have spent over 50% of the issued bonds. Mr. Varin questioned if there were any interconnect projects in process. Mr. Walker stated that South Kingstown was in process. He stated that Tiverton had another requisition in. Mr. Penn questioned if the projection for FY 2006 would be met. Mr. Walker stated that he believed that it would. Mr. Penn stated that within this project we should be conservative in the amount of bond money that we request so as to not appear to be unable to disburse the funds in a timely manner. Mr. Penn questioned if the issued amount had been available since 1987. Mr. Riggs stated that he did not believe that this was the case. He stated that he did not have those breakouts. Mr. Penn requested that another row be added to the report that showed when the funds were actually issued and in what amounts (note: Mr. Riggs contacted the State's bond person and supplied Mr. Penn with some of the information requested. The person supplying the information stated that it was very difficult to find the exact amounts and would require a large expenditure of manpower which at this time they were unwilling to do). Mr. Penn asked who has staff responsibility for this project. Ms. Crawley stated that it was Tom Walker. Mr. Penn stated that the Ground Water Protection project has \$9,316,441 in bonds with only \$53,202 spent to date. Mr. Penn questioned why this amount was so low. Ms. Crawley stated that there were not enough funds available to purchase any of the ten

approved sites in the initial bond. She stated that they are very close with three sites that there have been numerous meetings over the summer. She stated that the money spent so far has been in preparation. Mr. Penn questioned if these issued funds would be expended wholly on these sites. Mr. Crawley stated that she believed that they would. Mr. Penn asked who has staff responsibility for this project. Ms. Crawley stated that it was Will Rivero. Mr. Penn questioned if he was also responsible for the Phase III Water Quality Protection funds. Ms. Crawley stated that he was. Mr. Penn stated that the Bristol County Water Treatment Plant project has been followed on a monthly basis. Ms. Crawley stated that Tom Walker and Mr. De Lise had worked out a disbursal plan that they believed would match the progress of the project. Mr. Penn questioned if there were any other bonds that the WRB was involved in. Mr. Riggs stated that there were not. Mr. Penn stated that he believed that we should keep a close eye on these so as not to be accused of not disbursing these funds in a timely manner.

## **6. OTHER BUSINESS**

Mr. Penn stated that he would like to discuss a handout within the Board package relating to the fair market value rent. He questioned how we could increase rents on existing tenants in the 20 – 40% range. He stated that this would have a tremendous sticker shock. Mr. Varin stated that the property in the 40% range added substantially to the property and improved other parts of it. Mr. Penn stated that he believed that if these were new tenants he could accept the increase but not for existing tenants. Mr. Penn questioned if there should be a Board policy regarding limiting the percentage of these increases. Mr. Varin said that the appraisals are done every five years and in the previous five years there was no increase in the fair market rent values. The only increases were the yearly CPI adjustment. Ms. Crawley stated that the tenants are all getting a discount of between \$100 and \$300 per month based on the fact that they handle the small maintenance themselves. Mr. Penn once again questioned how we could put a policy in place to control these increases. Mr. Brown stated that the increase was actually not a one year increase but a five year increase as that was the last time an appraisal was done. Mr. Varin noted that this is State owned property and that it can not be given away. We must act in a financially responsible way. Mr. Varin questioned how Mr. Penn would suggest a policy. He questioned if he would like to spread the increase over a five year period. He said that he thought that was reasonable. Mr. Penn stated that the Board should have a policy discussion.

## **7. ADJOURNMENT**

On a motion by Mr. Varin, seconded by Mr. Brown, it was unanimously approved to adjourn the meeting at 12:01 PM.

Respectfully submitted,

William Penn  
Chairman

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

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