

FINANCE COMMITTEE
Minutes of Meeting
September 13, 2005

Members Present:

William Penn, Chairman
Tim Brown
Jon Schock

Members Absent:

Staff Present:

Juan Mariscal
Brian Riggs
Kathleen Crawley
Tom Walker
Will Rivero

Guests

Anthony Caliri

1. CALL TO ORDER

With a quorum present, Acting Chairman Schock called the meeting to order at 11:05 a.m.

2. APPROVAL OF MINUTES

- A. A motion was made by Mr. Brown to approve the August 9, 2005 minutes. Mr. Schock stated that he would abstain from the vote due to his absence from last month's meeting. Mr. Schock stated that it should be deferred until Mr. Penn's arrival. Upon Mr. Penn's arrival Mr. Brown made a motion to approve the minutes with Mr. Penn seconding the motion, the vote was made to accept the August 2005 minutes as presented with Mr. Schock abstaining.

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 August 31, 2005. The FY 2006 appropriation is \$2,803,450, the expenditures are \$117,195 and encumbrances are \$80,250 with an unencumbered balance of \$2,606,005. The current year's August surcharge receipts were \$14,307 less than August 2004. The YTD receipts collected by the Water Resources Board show a negative variance of \$56,195 versus previous YTD collections. This amount is comprised of a negative variance of \$57,579 over previous years YTD surcharges and a positive YTD variance of \$1,384 for Big River rental income. Mr. Schock questioned if some of the unencumbered balance would be encumbered soon. Mr. Riggs stated that the vast majority of the large bills have not been received but as soon as they are the funds would be encumbered. Mr. Schock stated that he was surprised that the water surcharge was still down versus last summer. He questioned if Mr. Brown was seeing the same results. Mr. Brown stated that he was up as was Mr. Schock. Mr. Mariscal pointed out that those figures are not actually receipts from the month of August but previous month's receipts paid in August. Mr. Schock stated that he expected the receipts to be significantly higher due to the dry summer. Mr. Brown stated that the odd/even restrictions could have affected the receipts. Mr. Schock stated that it also could be affected by when the suppliers bill. On a motion by Mr. Schock and seconded by Mr. Brown, the vote was unanimous to approve the August 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 August. Two payments were made during August in the amounts of \$208.40 for Konica Minolta and Partridge, Snow & Hahn for \$58.30. The interest received during the month of August was \$90.64. The Water Quality Protection Fund ended the month with a balance of \$115,848.62. Mr. Riggs reported that the Providence Project received interest of \$1.01 on investments in August. The balance in the Providence Project fund at the end of the August was \$712,279.59. Mr. Riggs stated that the Public Drinking Water Quality Protection Fund Administrative Accounts reflect interest received in August was \$2,768.36 from money market investments. The Administrative Accounts month-end balance was \$2,416,318.98. Mr. Riggs stated that the Corporate Public Drinking Water Quality Protection Fund received interest in the amount of \$11,416.86 and ended the month with a balance of \$4,258,960.81. Mr. Schock stated that the Providence Project encompassed the Board building the Fruit Hill facility. Mr. Penn stated that they are paying the Board a lease payment. Mr. Schock questioned why Smithfield and North Providence did not build it on their own. Mr. Penn stated that they didn't have the ability to borrow. He said it was structured as a finance lease. Mr. Schock questioned if G.O. or Revenue Bonds were issued. Mr. Penn stated that they were revenue bonds. Mr. Penn questioned if the interest income is pro rated among all of the water suppliers. Mr. Riggs stated that the balance of each supplier has the prevailing interest rate applied to that amount. Mr. Penn questioned if we gave the interest to the suppliers. Mr. Riggs stated that the Board kept the interest and it would be used to fund a future phase. Mr. Schock moved to approve the August CFO report and his motion was seconded by Mr. Brown. The vote was unanimous.

4. **ITEMS FOR ACTION**

A. **Payment Requests**

- (1) Bristol County Water Authority Requisition #6 to reimburse costs expended on the Child Street Treatment Plant Upgrades - Requested Payment: \$58,700.00; Recommended Payment: \$58,700.00. (Enclosure 5 of Board)

Mr. Penn questioned if the treatment plant was working and if this was the last payment. Mr. Walker stated that it was the last payment and that it was the retainage. He also stated that the plant is operational but it is not receiving water. Mr. Schock questioned if they were having water quality problems. Mr. Walker stated that they were not. Mr. Walker stated that there was no water flowing due to damaged pipes. Mr. Penn stated that a brand new plant is sitting idle. Mr. Penn questioned if there are any warranties once the retainage is released. Mr. Walker said there is a one year warranty. Mr. Schock questioned when the one year begins. Mr. Walker stated that this is unclear. He stated that they have been very reasonable in the past. Mr. Penn questioned if the payment is going to the contractor or to BCWA. Mr. Walker stated that it goes to BCWA as a reimbursement. On a motion by Mr. Brown and seconded by Mr. Schock, the vote was unanimous to approve the payment of \$58,700.00 as requested.

- (2) Maguire Group Invoice #13 - Requested Payment: \$15,376.80; Recommended Payment: \$15,376.80. (Enclosure 2 of Finance)

Mr. Penn stated that the Project is 30% complete. He questioned if the project is proceeding at the proper rate. Mr. Walker stated that it was. Mr. Schock questioned if a partial report was submitted with each payment request. Mr. Walker stated that this was the case. Mr. Schock then questioned if Mr. Walker was reviewing these submittals. Mr. Walker stated that it is too premature as it is just a gathering of information. Ms. Crawley stated that the

project is heavily into mapping. She stated that the majority of the information will be based on this mapping. On a motion by Mr. Brown and seconded by Mr. Schock, the vote was unanimous to approve the payment of \$15,376.80 as requested.

- (3) Town of Westerly Water Department Requisition #4 – Water Quality Improvement Project – Looping of Dead End Water Mains - Requested Payment: \$38,665.98; Recommended Payment: \$38,665.98. (Enclosure 10 of Board Corporate)

Mr. Schock stated that he wanted to recognize Westerly for doing this work in-house which translates into a substantial savings. On a motion by Mr. Schock and seconded by Mr. Brown, the vote was unanimous to approve the payment of \$38,665.98 as requested.

- (4) Konica Office Products for copier service agreement rendered through August 31, 2005 - Requested Payment: \$208.40; Recommended Payment: \$208.40. (Enclosure 3 of Finance)

On a motion by Mr. Brown and seconded by Mr. Schock, the vote was unanimous to approve the payment of \$208.40 as requested.

B. Approval Requests

- (1) FY 2005 Water Resources Board Corporate Annual Audit Report – Request for Acceptance (Enclosure 8 of Board Corporate)

Mr. Penn questioned the cash flow statement on page six and seven. He questioned why the rent amount was different on these two pages. Mr. Caliri stated that the larger amount is the rent that is paid to the Board. The smaller amount is the proceeds in excess of the principal. Mr. Penn questioned why the Water Quality Fund charges in the cash flow statement were different. There was more money in the operating than in the cash flow. Mr. Caliri explained that one is the actual cash paid and the other is the accrual. Mr. Penn stated that there was a net decrease of approximately \$2.3 million which can be attributed to dispersals to the water suppliers. Mr. Brown questioned why the Board needs to accept the audit results. Mr. Penn said that the way this is done is that the Board has to accept that the audit has been done and that it has been done in conformance with the latest accounting procedures followed. Mr. Caliri stated that these reports are actually the Boards representation of the financial working of the Board and that they would have to accept that these are representative of the Board's finances. Mr. Penn stated that the distribution of the Water Quality Funds which is mentioned in the auditors report will be discussed in the next approval request. Mr. Penn also mentioned the projections from the water suppliers of their surcharges seem to be on the optimistic side. Mr. Riggs stated that some suppliers make a concerted effort to estimate surcharges while others use the same numbers year after year. He said that there is no way to force the water suppliers to improve their estimates as they are just that estimates. Mr. Schock stated that they try their best to be accurate. On a motion by Mr. Schock and seconded by Mr. Brown, the vote was unanimous to accept the audit.

- (2) Phase II Public Drinking Water Protection Program – Status of Expenditures and Funding Deadlines (Enclosure 9 of Board Corporate)

Mr. Penn stated that it appears that we are not going to be able to dispense all the funds within the allotted time. He also stated that they were under the incorrect assumption that the deadline was February 2006 when in actuality it is December 2, 2005. Mr. Penn stated that we need to have a formal extension of the program. He recommended June 30, 2006 as a new

deadline. Ms. Crawley stated that Norm Benoit's letter stated that it can be done on a case by case basis or unilaterally to all suppliers. Mr. Brown stated that he felt that it would be fair to just do it across the board. Mr. Mariscal questioned if the Board's intention was to have initiated the project by June 30th or to have expended the money by that date. Ms. Crawley and Mr. Brown stated that it should be expended by that date. Ms. Crawley stated that the most recent letter stating a March end date should stand as it would allow for a buffer for the funds to be expended. Mr. Brown stated that the reimbursements could come after June 30th as long as the funds were expended by the water suppliers by that date. Mr. Penn stated that Norm Benoit stated that the only issue was that the Board must make sure that there is no positive arbitrage. Mr. Penn stated that when the bonds were set up he believed that the interest earned was at or below the interest that the bond was earning. Mr. Penn asked Mr. Riverso if the money would be expended by June. Mr. Riverso stated that he believed that we would. Mr. Mariscal stated that Pawtucket and Woonsocket, suppliers with the largest balances, are aware and will spend the money but have not defined any projects as of yet. Mr. Schock stated that land deals are difficult. Mr. Brown questioned if another letter should follow. Mr. Penn stated that he did not believe that we should so as to keep the pressure on the suppliers. Mr. Brown made a motion stating that the new deadline would be June 30, 2006 that was seconded by Mr. Schock. The vote was unanimous to extend the deadline to June 30, 2006 for the dispersal of the Water Quality Protection Phase III Funds. Mr. Mariscal clarified that as long as the funds were expended by June that the reimbursement could come after June 30, 2006.

5. ITEMS FOR DISCUSSION

- (A) B & E Consulting Water Quality Protection Charge Audit Results for Cumberland Water Department and Richmond Water Supply System. (Enclosure 4 of Finance)

Mr. Schock questioned if the Town of Richmond owned the Richmond system. He was informed that they do. Mr. Penn stated that the Board owes Richmond \$796.29. It was also stated that the Cumberland owes the Board \$763.40 in penny money and \$992.57 of .01664 surcharges. Mr. Penn questioned if the receivables were being tracked. Mr. Riggs stated that they were. Mr. Penn questioned the volume of the receivables. Mr. Riggs stated that the receivables were not a large amount. Mr. Penn stated that he believes that as the dollar amounts recovered are decreasing that the frequency that audits are done should be revisited. Mr. Riggs stated that each audit was \$3,160 and that it was on a rolling three year basis with ten completed each year. Mr. Penn asked Mr. Caliri what his opinion was on this matter. Mr. Caliri questioned if all the suppliers had been audited since the surcharges were changed. Mr. Riggs stated that they were all now within a three year time frame for their records. He also stated that there have not been too many large discrepancies found. Mr. Caliri suggested that the audit be tailored to check the procedures in place for the collection of the surcharges. He stated that he believed that this would lower the audit cost. This is called an agreed upon procedures audit. Mr. Caliri stated that the Board should not do the audits every ten years but said that every three years might not be the most efficient use of the audit schedule from a cost recovery standpoint. Mr. Penn stated that he believed that we should complete the current round of three year audits and then go out for an RFP to change the schedule. Mr. Schock stated that he remembered that some suppliers had destroyed records and questioned what the statute of limitations on records retention was. Mr. Riggs stated that this was the case and that he would have to check on the amount of time that records must be kept (upon further investigation municipal suppliers must keep records for six years). Mr. Brown requested that staff review this and bring a recommendation to the Board at the next meeting. He also requested that the auditor be contacted to see if there would be a difference in cost

for a different kind of audit. He questioned if this would save a substantial amount or should the audit schedule be moved from a three year to a five year schedule. Mr. Schock requested that Mr. Riggs check with the Secretary of State for the record retention regulations. Mr. Brown requested that staff speak with Norm Benoit to see if what the record retention requirement is in the bond indenture.

6. OTHER BUSINESS

7. ADJOURNMENT

On a motion by Mr. Schock, seconded by Mr. Brown, it was unanimously approved to adjourn the meeting at 11:53 PM.

Respectfully submitted,

William Penn
Chairman

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

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