

DEPARTMENT OF CITY CLERK  
CITY HALL  
OCTOBER 17, 1996

The Committee on City Property meets this day at 6:00 o'clock p.m.,  
Committee Room "A", City Clerk's Department, City Hall.

PRESENT: Chairman Jackson, Councilman Glavin and Councilman  
Rollins.

ABSENT: Councilman DeLuca and Councilwoman Williams.

Also present are Councilwoman Fagnoli; Richard Rafanovic, Chief  
Engineer/General Manager, Water Supply Board; Fred Cunha, Legal Counsel,  
Water Supply Board; Bob Kilduff, Deputy Counsel, Water Supply Board; Paul  
Titzmann, Finance Director, Water Supply Board; Michael Russo, Director of  
Transmission and Distribution; Boyce Spinelli, Finance Director; Michael R.  
Clement, City Clerk and Lesley M. Skeffington, Assistant Clerk.

**DISCUSSION RELATIVE TO THE WESTERN CRANSTON WATER  
ACQUISITION.**

CHAIRMAN JACKSON: Tonight we're here to discuss the Western  
Cranston Water System acquisition. This has been, I believe, on going for a year I  
think and the past Committee meet on this. And I think all the final legal work is  
done between the City Solicitor Patricia McLaughlin and the Solicitor from the  
City of Cranston and that's what we're here for tonight. We have numerous people  
from the Water Supply Board and Boyce to give us the financial aspect of it. I  
know the Water Supply has provided a slide presentation in regards to this.

MR. RAFANOVIC: Mr. Chairman and members of the Committee, for the  
record, my name is Richard Rafanovic. I am the General Manager and Chief  
Engineer of Providence Water Supply Board. With me, I have our Board counsel  
Fernando Cunha, Paul Titzmann, who will be making part of the presentation,  
Mike Russo our Director of Transmission and Distribution, he'll be operating the  
system and Bob Kilduff, who is our Deputy Counsel, who has been working on the  
project throughout the last year. We have Mr. Spinelli here in a dual capacity, but I  
think probably his primary function today is Director of Finances. He happens to  
also be a board member and he also has been familiar with the project for some  
time. As you may recall, we had brought this issue to you some time in April of  
1995 and we are here to give you an update and review of the circumstances and  
conditions. So, Mr. Titzmann, will you please walk us through that presentation.

(Mr. Titzmann shows the slide presentation to the Committee and a copy of  
the slide available in Committee folder)

Question on Slide Number 7 - Financial Data

MR. SPINELLI: Paul, can I just clarify one thing, if I'm right.

MR. TITZMANN: Sure.

MR. SPINELLI: Those impact fees are going to be levied by the City of Cranston, not Providence Water. Is that correct?

MR. TITZMANN: It will be levied by Cranston, collected by Cranston and remitted to us.

MR. RAFANOVIC: We have a letter from Mr. Spinelli who has independently looked at the numbers and Mr. Spinelli -- from his prospective. I believe the letter.... do we have a copy of the letter with us, Bob?

MRS. SKEFFINGTON: I have one.

MR. RAFANOVIC: That letter essentially finds the numbers consistent with what you have seen. At the time when Mr. Spinelli had looked at the outstanding debt was \$1.5 million, since then it has shrunk to approximately to a million dollars. You can see he to indicates that that would be a net increase based on that -- bases for about \$1,000 a day from that acquisition. It's good for us, that is the City of Providence and it is good for the City of Cranston because no longer will they levy a different charge to the 2,300 customers that are basically drinking our water, but are being serviced by the City of Cranston. We have the staff, we have the capacity, we have the system. It's the same amount of water that we are sending them, but if we are selling it to them on a retail bases, it is so much easier. Small systems are all suffering with the technical void that is coming down on Water Utilities because of regulatory requirements and they simply can't deal with this and they have approached us, I would say over two years ago, maybe three years ago to see whether there would be any merit or any feasibility in looking at this thing. We set back made an independent analyses, we've decided it was a good deal. We said if you were serious to go through with that, we are prepared to take it further and about that time which was in April of 1995, we came to you. I think since then we have crossed all the "t's" and dotted all the "i's". As you may have read in this mornings paper, both the Mayor of the City of Cranston and the City of Providence did express their support. They are taking it to their City Council and we, of course, are here before you and it's necessary that these things come together in order to come to fruition. It is our hope and expectations if we get favorable approval here from everyone from all sides that we would be literally operating this system, you know before logistics in place. We will some time in December do a joint reading with them and at that time, they will pay the balance to their customers and then on a going forward bases, we will bill them for that.

CHAIRMAN JACKSON: Any Committee members have questions?

COUNCILMAN GLAVIN: There's no capital overlay on this acquisition, is that correct?

MR. RAFANOVIC: There's no capital out lay now. There is nothing needed at this time. They had some undeveloped areas, we had laid out a plan what it would take. And we have said in order for us to serve, you need to levy a charge of \$1,350 for each residential lot and \$6,003 for each acre and if you want any development, we'll collect that money and for that money, we will extend that system out into your undeveloped area. That can easily be handled from those fees and from the revenues that we are collecting from them. There is no out-of-pocket cost to any of our existing customers and certainly no one in the City of Providence. For practical purposes, we are acquiring a relatively new system. Their system is only about 25 years old.

COUNCILMAN GLAVIN: Will they be - - assuming their long term liability? Is that it?

MR. RAFANOVIC: Yes.

COUNCILMAN GLAVIN: For a million dollars in assets?

MR. RAFANOVIC: That's it. I think it is a very good deal.

CHAIRMAN JACKSON: Any other question from Committee members?

COUNCILMAN ROLLINS: Through the Chair, what is impact fees?

MR. RAFANOVIC: Impact fees is that if you have an undeveloped area.... they have fees in their undeveloped area already on the books for sewers and streets and other things. And they said if you want to develop in this area for each lot, you have to pay a certain amount and that amount will contribute to the improvement of the infrastructure and it will accumulate and will do that. So that's the term impact.

COUNCILMAN GLAVIN: How will get to keep those impact fees?

MR. RAFANOVIC: We do.

COUNCILMAN GLAVIN: We're going to do that expansion, right?

MR. RAFANOVIC: Yes.

COUNCILMAN GLAVIN: This is a fee we're going to charge for the expansion of the system to service other areas.

MR. RAFANOVIC: That's correct. They will collect it for us, we will received that. We have to pay them because the bond issues that they have for this thing is so complicated and tied up with other things that it is impossible for them to pay it off. So we have agreed that we will semi-annually give them the appropriate amount, but we will secure the payment against the collection of any

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impact fees. So if, for example, we have to pay them, let's say \$500,000 and they have collected \$400,000 in impact fees, then we will give them the \$100,000 and we're square. If they have collected \$700,000 in impact fees, we don't pay them anything and they give us the additional \$200 or whatever it is. So we have an off setting control on them and it's all worked out and it's safe.

MR. SPINELLI: Through the Chair, if I could add, I think the way that this works is that the impact fees, both residential and commercial, the developer pays these up front, they pay it to the City of Cranston. So let's give a hypothetical situation, when the main go in, so the Providence Water is covered for the cost of the expansion, then if - - developer is successful and people say "I'll buy this lot and put a house", then the developer gets the connection fees. So the developer is really at risk.

MR. RAFANOVIC: Let's say somebody pays both. Somebody pays the impact fee and somebody pays the connection fee and nobody gets water until we have both.

CHAIRMAN JACKSON: Richard, I just have two questions. One which you mentioned the small systems don't have the ability for the technical - - in all the regulations and everything, will we have to do things when we acquire this to bring them up to standard? Are there big improvements that we have to bring them up to standards.

MR. RAFANOVIC: Not immediately. At some point, we will make a connection to our system because they would of have had to install some water tanks in order to serve that area. By connecting to our system, this is not required and we, of course, want to connect to the system so we get better circulation. So, yes, there are going to be some incidental little things that we have to do up front in order to serve better. But there are no major out lays that are needed until we decided that we are going to start putting mains into the undeveloped area in order to trigger off that impact fee.

CHAIRMAN JACKSON: My second question has to do with when you were making the presentation on the overview, you said this would provide savings. How does this provide savings for the people?

MR. TITZMANN: Basically, the savings is indirect at this point. It is not going to be a reduction in some one's bill. It will be the avoidance of future increases, if you will. Certain fixes costs of operation that we are incurring now since we are not adding any additional operating costs would be spread rather then let's say hypothetically, 7,000 pounds currently would be spread over the 73,000.

COUNCILMAN GLAVIN: Plus you cut out the middle man, right?

CHAIRMAN JACKSON: Also, could I ask because I know Mr. Kilduff and Patricia McLaughlin were going to meet last week, I believe with people from Cranston. Did that meeting take place? Could you give us an overview?

MR. KILDUFF: The actual meeting didn't. When I spoke to Patricia, she had spoken to the Cranston people.

MR. CUNHA: I spoke to Patricia yesterday and she said that there were just a few slight changes in some words and she had already taken care of that. It is not in this document, but she said she would revised that on her own. Basically, it's been Ms. McLaughlin that had really spearheaded the changes that were necessary with Cranston legal counsel. She is satisfied with document as it is presented today.

CHAIRMAN JACKSON: Do we have a copy of that? While Bob is passing that out, is there any other questions of Committee members or other Council people in regards to..... This is the newest document developed by Patricia and the legal counsel.

COUNCILMAN GLAVIN: This there any thing here that needs to be pointed out?

MR. CUNHA: It's fairly comprehensive. It covers all the legal aspects of the transfer. It's fairly inclusive of everything that could happen whether it's litigation or claims arising before or after the sale. That's all been addressed in this contract and Patricia.....

COUNCILMAN GLAVIN: You and Patricia both signed off on this. You both feel comfortable?

MR. CUNHA: Actually, it's Charlie Mansolillo. I assume Patricia would sign it on his behalf. But, I will be signing off on it. I feel confident.

COUNCILWOMAN FARGNOLI: Mr. Chair, I'm under the impression that this acquisition will not mean an additional number of employees. Does that still hold true or will that mean that we will have to add?

MR. RAFANOVIC: At their 2,300 services that is standing right now, there is no additional employees. If they grow to 6,000, yes we're going to have to add an employee here or there. But that would happen if we grow in our system by 3 or 4,000 people. But as it stands right now, there are no additional employees needed.

CHAIRWOMAN FARGNOLI: That's to be recognized.

COUNCILMAN GLAVIN: Now, the existing employees that they have for Cranston, will they be retain?

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MR. RAFANOVIC: They keep them.

COUNCILMAN GLAVIN: Their going to absorb them.

On motion of Councilman Glavin, seconded by Councilman Rollins, it is voted to approve the acquisition of the Western Cranston Water System by the City Providence on behalf of the Providence Water Supply Board.

CHAIRMAN JACKSON: All in favor?

COMMITTEE: Aye.

CHAIRMAN JACKSON: Opposed?

MR. RAFANOVIC: Thank you very much.

ADJOURNMENT: On motion of Councilman Rollins, seconded by Councilman Glavin, it is voted to adjourn at 6:50 p.m.

*Michael R. Clement*  
CLERK

*Lesley M. Sheffington*  
Assistant Clerk