

CITY OF NEWPORT – UTILITIES DIVISION - WATER DEPARTMENT
Docket No. 3818
Response to
Portsmouth Water and Fire District's Data Requests
Set 5

PWFD 5-1: The Trust Indenture attached in response to PWFD's third set of data requests indicated that a certificate is required from a consulting engineer or CPA (see Section 205 (2)(iv)) in order to issue additional bonds. Please provide this certificate for the 2007 Series B bonds, including all attachments.

Response: The City has just received approval from RICWFA to borrow the funds, subject to other approvals, including the Division and Department of Health. The City is in process of obtaining all necessary approvals at which time, the appropriate indenture agreements will be drafted by the City's bond counsel along with all required certificates.

Prepared by: Laura Sitrin

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PWFD 5-2: Please provide all certifications regarding the adequacy of revenues that were prepared for the 2007 Series A bonds, including all attachments. (see Section 205 (2)(iv)).

Response:

The only certification that was required by the various parties was the certification prepared by Raftelis Financial Consultants. That certification was attached to PWFD 3- 9.

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PWFD 5-3: In light of the responses to PWFD 3-2 and 3-10:

- a. Please confirm that \$428,278 of FY 2006 capital expenses were not paid until January 2007, some 6-7 months into the next fiscal year.
- b. For the \$428,278 of FY 2006 expenses paid in FY 2007, in what months were these expenses actually invoiced to Newport? What were the projects? Was interest invoiced and/or paid on the overdue amounts, and if so, how much?
- c. Given the beginning balance in the restricted capital account on July 1, 2006 of \$810,737 why were the \$428,278 of FY 2006 expenses not paid until six months into the following fiscal year?
- d. Are there any additional capital expenses that will be charged to the restricted Capital Account (similar to the \$428,278) that are outstanding at this time or prior to the filing that are not included in the monthly draws from the Capital Account? From January 2007 on, are the expected draws from that account simply the total expected annual FY 2007 expense of \$1,654,969 plus the \$428,278, less payments through December?

Response:

- a. The statement in part a. of the above question is incorrect. The referenced expenses were paid in July of 2006.
- b. The expenses were invoiced to Newport in June of 2006. The invoices were for work performed on the following projects:
 - Lawton Valley sluice gate
 - Water trench restoration
 - Ocean Drive water mains
 - Short Term Improvements
 - Reservoir Rd tank
 - Water tank improvements

No interest was paid on the amounts because they were not overdue.

- c. See response to a.
- d. The updated version of RFC Schedule 9 provided in the response to Div. 2-7 provides Newport's best estimate of the flow of funds through the Capital Spending restricted account.

Prepared by: Harold Smith

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PWFD 5-4: Regarding the response to PWFD 3-3: the question was, given that the two projects are the same amount (\$100,000) why is one of the projects proposed to be rate funded and one proposed to be bond funded? Please respond as to why different funding is proposed for projects of the same magnitude of cost.

Response: The response to PWFD 3-3 was intended to illustrate that the scope of the work associated with the required short and long-term repairs to the Easton Pond Dam had not been fully identified at the time of this filing. The \$100,000 was budgeted to indicate a future project. The \$100,000 is intended to be used for work/inspections to fully identify the scope and estimated cost of the repairs. Once identified, it is agreed that the full amount of repairs to the Easton Pond Dam could be suitable for bonding. However, it should be noted that the project would not be eligible for SRF funding because the SRF does not fund dam related projects.

In contrast the \$100,000 is the estimate we received for the proposed design/ build of the Lawton Valley Reservoir Aeration Project. Since all costs were included it was identified for bonding.

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PWFD 5-5: Regarding the response to PWFD 3-8: When did the former Deputy Director of Utilities – Finance end employment with the City? Has a replacement been found? Will the position be filled? If so, what is the expected start date?

Response: The former Deputy Director of Utilities- Finance ended her employment with the City on March 30, 2007. Yes the position will be filled. In fact, the Human Resources Department has begun the recruitment process. The closing date for the job posting was April 13, 2007 and interviews of the candidates have been scheduled. The start date will depend on the results of the interviews and availability of the selected candidate. It is anticipated that an offer for employment will be issued in early June.

Prepared by: Julia Forgue

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PWFD 5-6: Regarding the response to PWFD 3-10:

- a. Is it correct that the City General Fund was used to meet the Water Division payroll and that the Water Fund is expected to reimburse the General Fund when Water Funds are available?
- b. Given the continuing Water Fund negative cash position and the inability to meet the payroll obligations from the Water Fund, explain why the Water Fund payroll payments are not considered a loan from the City.
- c. Please provide an aging analysis of vendor bills that are due as of May 1, 2007.

Response:

- a) The City of Newport uses the payroll fund to make all employee payments in the City of Newport. This is so the City can properly report to the Internal Revenue Service on a quarterly and annual basis. The payroll fund rolls up into the General Fund. All funds are expected to reimburse the payroll fund.
- b) The continuing struggle to maintain positive cash flow in the Water Fund means that all vendors, including the payroll fund, are paid when cash is available and based on priority. Sales tax, Water Quality Protection withholdings, electricity, insurance and health insurance are usually considered priority payments. Other vendors may wait for payment. The City considers the payroll fund to be a vendor of the Water Fund. Furthermore, the City has not transferred money from the General Fund to the Water Fund that must be paid back. Therefore, there is no loan.
- c) 47 invoices totaling \$71,304.26 are current (under 30 days)
49 invoices totaling \$62,618.47 are between 30 and 60 days
33 invoices totaling \$35,318.56 are between 60 and 90 days
6 invoices totaling \$2,267.90 are between 90 and 120 days
1 invoice for \$828.00 is over 120 days
Vendor amounts due, included in the total above, that will be paid from restricted accounts are as follows:
\$17,631.55 – retiree insurance (Under 30)
\$6,976.55 – chemicals (30-60)
Restricted account vendor payables are paid once a month.
Above amounts do not include amounts due to the City payroll fund.

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CERTIFICATION

I hereby certify that I sent by electronic mail a copy of the within to all parties set forth on the attached Service List on May 22, 2007, and one original with Luly Massaro, Clerk, Rhode Island Public Utilities Commission.

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