

REBUTTAL TESTIMONY
OF
LAURA SITRIN
CITY OF NEWPORT FINANCE DIRECTOR
ON BEHALF OF THE CITY OF NEWPORT, UTILITIES DEPARTMENT,
WATER DIVISION

In re: City of Newport, Utilities Department, Water Division

Docket No. 4025

APRIL 29, 2009

1 **Q: Please state your name and business address.**

2 A: My name is Laura L. Sitrin and my business address is 43 Broadway, Newport,
3 Rhode Island 02840.

4
5 **Q: Are you the same Laura Sitrin who submitted pre-filed direct testimony in this**
6 **docket?**

7 A: Yes I am.

8
9 **Q: What is the purpose of this testimony?**

10 A: I would like to respond to issues related to the Cost Allocation Manual (“CAM”) and
11 Newport Water’s request for rates to reimburse the City of Newport for services it
12 provides to the Water Fund (“City Services”). Certain concerns and objections were
13 raised regarding these issues in direct testimonies filed by Thomas S. Catlin for the
14 Division of Public Utilities and Carriers, Christopher P.N. Woodcock for Portsmouth
15 Water and Fire District and Ernest Harwig of the United States Navy.

16
17 **Q: Have you had the opportunity to review the above referenced testimonies?**

18 A: Yes I have, and I will first address issues raised in Mr. Catlin’s testimony. I will also
19 address issues raised by Mr. Woodcock and Mr. Harwig at the same time should issues
20 overlap with Mr. Catlin’s testimony. I will then address non-overlapping issues raised by
21 Mr. Woodcock and Mr. Harwig.

22
23 **Q: Mr. Catlin, Mr. Woodcock, and Mr. Harwig, to one degree or another, claim**
24 **that the Cost Allocation Manual overstates the cost of City Services allocated to the**
25 **Water Department. Can you please address this general issue?**

26 A: Yes. I have two general topics I would like to address regarding City Services before
27 I address the specific issues raised in the above referenced testimonies.

28
29 First, in Docket 3818, the Commission encouraged the City of Newport to create a CAM
30 to allocate the cost of services provided to the Water Fund. The Commission’s Order
31 stated, “In the event the CAM is not filed, Newport Water shall risk the Commission

1 denying future requests for City Service Allocations.” As such, I undertook the task of
2 creating the CAM. In doing so, I tried to determine fair methods for allocating the cost of
3 services provided to the Water Fund and the other enterprise funds. The CAM was not
4 created to try and overstate the amount of City Services to be paid by the Water Fund.
5 The CAM was also not created to simply justify the allocations set by the Commission in
6 Docket 3818. The CAM was created to address the complex issue of fairly allocating the
7 cost of vital services provided by the City to all the enterprise funds.

8
9 Second, I think it is important to take a big picture view of the Water Fund and its role in
10 the overall municipality of the City of Newport. The Water Fund is the second biggest
11 fund in the City, and there is no separate Board or Authority that manages its operations.
12 The Water Fund’s capital and debt needs alone require significant effort on the part of
13 policy makers, managers and other employees of the City of Newport. The capital, debt
14 and operating issues are technical, complicated and difficult to immediately understand.
15 Furthermore, the Water Fund is highly regulated by several different agencies, including,
16 but not limited to, the Rhode Island Public Utilities Commission. This requires a greater
17 degree of attention and extra effort to understand the applicable regulations and ensure
18 compliance.

19
20 The rate filing process alone requires increased effort on the part of the City Manager,
21 Water personnel and Finance personnel. It also requires additional attention from the
22 City Solicitor and City Council. Also, the Water Fund’s financial activities and payroll
23 are intertwined to a large degree with other City operating funds. Vendor checks are
24 issued from the Water Fund’s own checking account, but all other financial activity is
25 handled through wire transfers and journal entries. All of these factors create an
26 environment where more support is needed for the Water Fund than for other funds.

1 **CITY SERVICES - WATER FUND BUDGET**

2 **Q: Mr. Catlin, Mr. Woodcock and Mr. Harwig object to the allocation of certain**
3 **City Services costs using the Water Fund's total budget as compared to the City's**
4 **budget. Can you address this issue?**

5 A. Yes. In the CAM, certain costs are allocated based on a percentage of the Water
6 Fund's budget compared to the combined budgets of all the Enterprise Funds and the
7 General Fund. These allocations include the City Manager, City Solicitor, 80% of
8 Finance Administration costs and non-telephone MIS costs. In calculating this
9 percentage, I used the Water Fund's total expenditure budget including depreciation, rate
10 and debt funded capital expenditures, debt service, Repayment to City restricted account
11 and operating reserve.

12
13 **Q. Is there a reason you used the Water Fund's total budget?**

14 A. Yes. I used the total expenditure budget because it includes all items that require time
15 and effort on the part of the City. That being said, in reviewing the issues raised, I agree
16 that the operating reserve and the Repayment to City restricted account should not have
17 been included. However, I do not agree with the total elimination of the other items in the
18 Water Fund's budget. While it appears that including depreciation, debt service and
19 capital expenditures is double counting, it should be noted that each of those items takes
20 time and effort on the part of the City and its support staff.

21
22 Water Fund capital expenditures and debt issuance are generally not simple matters.
23 Technical and engineering issues make these items difficult to understand on first review.
24 Thus, there can be considerable time spent on these issues before they are acted on by the
25 City Council. For instance, the approval of any capital expenditure requires that the City
26 Manager, City Finance Director, City Council and City Solicitor read the Council action
27 forms and attached documentation before Council meetings; ask, and have answered, any
28 questions before Council meetings; and attend Council meetings for approval of the
29 expenditures. In fact, the Council has had several workshops just to address the Water
30 Fund's technical issues and capital items.

31

1 Once these items are approved, the Solicitor and Mayor have to review and sign off on
2 any contracts related to capital expenditures. Furthermore, capital expenditures require
3 time and effort on the part of purchasing, finance administration and accounting to
4 process the appropriate purchase orders, requisitions and payments. Depreciation of the
5 capital additions requires the Accounting Supervisor and the Finance Director to spend in
6 excess of forty hours to determine capitalizable items, post them into the accounting
7 system, determine depreciation lives and review, reconcile and prepare for the audit.

8
9 Debt issuance requires significant investment of time by the Finance Director and some
10 time by the City Solicitor, Mayor and City Manager. Finance Administration and the
11 Accounting Division process, pay, review, reconcile and prepare for audit, all outstanding
12 debt, much of which belongs to the Water Fund. The Budget and Finance Analyst (in
13 Finance Administration) and Finance Director prepare the payment requests to the Rhode
14 Island Clean Water Finance Agency (“RICWFA”), interact with the Agency as
15 necessary, attend meetings and track and reconcile all activity on the revenue bonds.

16
17 Finance Administration also prepares the budget documents and works with Water Fund
18 personnel to determine the appropriate debt service, capital and O&M numbers. The City
19 Manager is also very involved in the budget process.

20
21 **Q: Mr. Catlin and Mr. Woodcock suggest that the approved revenue requirement**
22 **in this Docket be used rather than the total expenditure budget to calculate the City**
23 **Service allocations based on budget comparisons. Do you agree?**

24 A: While I do not agree with this recommendation for the reasons stated above, the City
25 of Newport would be willing to agree to a revision wherein the approved revenue
26 requirement in this case will be used for the budget comparison allocations for the City
27 Manager, City Solicitor, 80% of Finance Administration costs and non-telephone MIS
28 costs. This revision would be acceptable if the School and Library are appropriately
29 excluded as requested in my testimony herein below.

1 **CITY SERVICES - BUDGET COMPARISONS - SCHOOL AND LIBRARY**
2 **BUDGETS**

3 **Q: On the other side of the equation for City Service allocations based on budget**
4 **comparison, Mr. Catlin and Mr. Woodcock suggest that the Library and School**
5 **Department appropriations be included in the General Fund budget. Do you agree**
6 **with this?**

7 A: No I do not. In his testimony, Mr. Woodcock states: “Clearly, there is some level of
8 involvement and support from the Council, the Manager, and the Finance Director” for
9 the School Department and the Library. (Woodcock direct, p.9) Mr. Woodcock is correct,
10 there is “some” involvement, but as set forth below, it is minimal. As such, it is
11 Newport’s position that this minimal level of involvement does not warrant the inclusion
12 of the entire School Department and Library budgets in the General Fund budget when
13 calculating the allocations for City Services.

14
15 Chapter 16-2 of the Rhode Island General Laws (See R.I.G.L. § 16-2-9 attached as LS 1
16 Rebuttal) specifically grants the “entire care, control and management of all public school
17 interests” to elected School Committees. The City of Newport only has the power to
18 levy taxes to support school operations and to issue debt. Mr. Catlin and Mr. Woodcock
19 are correct that the City Council holds workshops and joint meetings to address the
20 School and Library budgets. However, these meetings take very little time. The City
21 Council must, by law, meet with the School Committee twice a year. These two
22 meetings generally take less than two hours – combined. The first meeting is for the City
23 Council to give its revenue estimates to the School Committee and for the School
24 Committee to give its expenditure estimates to the City Council. That meeting generally
25 takes place in March and lasts about a half hour. The second meeting is when the School
26 Committee meets with the City Council to present the school budget request. That is
27 generally in May and takes about an hour.

28
29 The City Manager’s involvement with the School Committee is similarly minimal. The
30 City Manager proposes annual operating allocations for the School Department in his
31 Proposed Operating Budget. It takes very little time to prepare and review the School

1 appropriation requests in the Operating Budget. In recent years no increase has been
2 given. In addition, the School Committee submits its capital budget to Finance
3 Administration and it is placed, without revision, into the proposed Capital Improvement
4 Budget (CIP). The City Manager also spends very little time reviewing the School CIP
5 information.

6

7 Another issue raised by both Mr. Catlin and Mr. Woodcock is the participation of the
8 Finance Director and two City Council members on the School Committee's Ad Hoc
9 Building Committee. It should be noted that my participation on the Committee is on my
10 own time outside of normal working hours. Furthermore, while two City Councilors do
11 sit on the Committee, Council members participate in many different organizations
12 throughout the City, including those related to enterprise funds. This limited participation
13 does not equate to City Council control over the School Department.

14

15 The City's involvement with the Library is also minimal. The Library Board of Directors
16 submits its capital budgets to Finance Administration and it is placed, without revision,
17 into the proposed Capital Improvement Budget (CIP). The City Manager spends less
18 than 15 minutes reviewing the Library CIP request. The Library Board and Director also
19 meet with the City Manager and the Finance Director to present their operating budget.
20 The City Manager proposes annual operating allocations to the Library in his Proposed
21 Operating Budget. This is often done by applying the same percentage increase as
22 requested by the Departments. It takes less than 15 minutes to prepare and review the
23 Library appropriation requests in the Operating Budget. That meeting is held in March
24 and takes about ½ hour.

25

26 The Library Board then presents its budget to the City Council during the Civic Support
27 Budget workshop along with the 25 or so other organizations requesting Civic Support
28 allocations. The Library presentation lasts less than 15 minutes. That is the only
29 interaction with the Library during the year with the exception that one City Council
30 member is a member of the Library Board of Directors and the Finance Director signs a
31 state aid form prepared by the Library Director.

1 **Q: To further support their position that the School and Library budgets be**
2 **included in the General Fund budget, Mr. Catlin and Mr. Woodcock indicate that**
3 **the bank and investment accounts for which Finance Administration is responsible**
4 **includes school accounts. Can you please address this?**

5 A: Yes. They are correct that the list of bank and investment accounts submitted in
6 response to PWFD 1-15(e) included school accounts. However, the school accounts
7 should have been removed to determine the allocation in this Docket. The correct
8 percentage allocation will be addressed further on in this testimony. Mr. Woodcock's
9 testimony indicated that the school accounts that were erroneously included are
10 "presumably under the control of the Finance Department." This is not true. Once again,
11 it must be stressed that City personnel do not control, reconcile or have any signatory
12 authority over the school accounts.

13
14 **Q: Mr. Woodcock also refers to an item in the City Council minutes regarding a**
15 **discussion of bid awards related to the Library. Is the City Council responsible for**
16 **approving Library bid awards?**

17 A: No. Mr. Woodcock cites this discussion of single bid award as support for including
18 the School and Library budgets in the General Fund budget. However, the bid in question
19 was a unique. The City of Newport owns the Library building and parking lot. The
20 Library is responsible for most repairs and maintenance, but there was a serious drainage
21 issue in the parking lot that the City was required to fix as the property owner. The bid in
22 question was related to this project. This does not mean that the City Council approves
23 Library capital projects because it does not.

24
25 **Q: Mr. Woodcock also refers to a School Committee meeting held on January 7,**
26 **2009 that was attended by the City Manager and City Finance Director. He claims**
27 **that it is yet another example of how the City Council is responsible for the School**
28 **operations. Can you explain please?**

29 A: Yes. That meeting was actually a workshop for the City Council on Other Post-
30 Employment Benefits (OPEB) put on by the Finance Director and the City's actuary.

1 Representatives from the City’s various departments were invited to attend. In addition,
2 members of the School Committee, as well as members of the general public were also
3 invited to attend. However, the School Committee cannot, by law, meet in any forum
4 without posting it officially as a School Committee Meeting.

5
6 **CITY SERVICES ALLOCATIONS – FINANCE DEPARTMENT**

7 **Finance Administration – 80%**

8 **Q: Mr. Catlin and Mr. Woodcock questioned the Finance Administration allocation**
9 **method and indicated that no recognition is given to the fact that Newport Water**
10 **shares a Deputy Director of Finance with the WPC fund and has its own full-time**
11 **Financial Analyst. Is this true?**

12 A: No. Certainly, we are aware the Water Fund has its own full time Financial Analyst
13 and shares a Deputy Director with WPC. However, Mr. Woodcock’s and Mr. Catlin’s
14 testimonies do not seem to recognize the extensive work performed by the Finance
15 Department on behalf of the Water Fund. The Finance Department spends an inordinate
16 amount of time on water accounting, water capital activity and reconciliation, audit
17 preparation, meetings related to the water fund, account reconciliation, transfers, journal
18 entries, budget preparation and monitoring and water debt payments and issuance. In fact,
19 during my six and half years as Finance Director, the Water Fund is the only fund to have
20 borrowed money through debt issuances. This includes the General Fund.

21
22 The financial staff at the Water Fund perform many vital functions including, but not
23 limited to: preparation for and assistance with rate filings; maintenance of the billing
24 system; monitoring capital projects; answering and addressing billing issues and
25 customer needs; supervising the Customer Accounts division; tracking billing charges
26 and preparing journal entries for billings. However, because the Water Fund is so
27 intertwined with the City, the Finance Administration must also devote a great deal of
28 effort to the Water Fund.

29
30 Mr. Woodcock also testified that the disparity between allocation to the Water fund and
31 the Water Pollution Control (WPC) Fund is “striking” because the “water pollution fund

1 budget and the rate year water fund revenue requirement are very similar.” However, Mr.
2 Woodcock does not recognize that the WPC Fund does not have its own checking
3 account and, more importantly, operations are contracted out in that fund. WPC does
4 have significant capital needs and some regulation, although not of rates, and the cost
5 allocation reflects that.

6

7 **Q: Mr. Woodcock points out that the auditors seemed to spend less time on the**
8 **Water Fund than the Finance Department. Can you explain the difference?**

9 A: Yes. On page 12 of his Testimony, Mr. Woodcock testified “it was instructive to note
10 that the auditors spent about 6% of their time on the Water Department books and records
11 while the Finance Department spent about 21% of its time on Water Department books.”
12 The Finance Department prepares all audit work papers and financial statements. We put
13 a lot of time and effort into preparing work papers so that the audit can go as smoothly as
14 possible. I might point out that the auditors, Kostin, Rufkess & Co., publicly commended
15 the Finance Department for its work and effort when the audit was presented to the City
16 Council. In fact, Ronald W. Nossek of Kostin, Rufkess, gave the Finance Department
17 high marks for its money management, transparency and the preparation of its
18 Comprehensive Annual Financial Report. The other major reason for the disparity is that
19 auditors are looking for material misstatements and are not recreating every transaction
20 that occurred during the year. The Finance Department is creating 90% of the
21 transactions that occurred during the year.

22

23 **Finance Administration (10%)**

24 **Q: Mr. Catlin expressed concern over Newport’s methodology in allocating ten**
25 **percent of the Finance Administration costs based on the Water Fund’s bank and**
26 **investment accounts. Can you address these concerns?**

27 A: Yes. First, Mr. Catlin indicated that the number of water-related bank and investment
28 accounts is overstated because two accounts (Water Billing Charges and Water
29 Repayment) are being eliminated. Second, he questioned why there appear to be
30 duplicative accounts and why more weight wasn’t given to the General Fund checking
31 and Imprest accounts.

1 I have revised the bank and investment accounts format. It is attached as a schedule to
2 this testimony. (See LS 2 - Rebuttal) Essentially, I removed all investment accounts,
3 school accounts (with the exception of the School Federal Grants, which is simply a pass
4 through account) and the water accounts soon to be closed, from the schedule. I included
5 a brief description of the remaining accounts and assigned a percentage weighting to each
6 account, as applicable. The revised schedule includes a revised percentage allocation
7 based on the weights assigned. The new allocation percentage will be used in the rate
8 model adjustments. I have also included two pages from the \$3,000,000 Revenue Bond
9 Trust Indenture Agreement, which identifies what accounts need to be established in
10 order to comply with bond requirements. (LS 3 – Rebuttal) Every revenue bond issue has
11 similar requirements. Thus while it appears that some accounts are duplicated, they are
12 actually required to be established that way.

13

14 In addition, because I removed all investment accounts from the allocation, I also
15 changed the Finance Administration allocation in total so that 15% of the Finance
16 Administration budget will not be allocated to other funds to account for time spent on
17 investments. The revised bank account allocation will only apply to 5% of the Finance
18 Administration budget.

19

20 **Q: Mr. Woodcock also questioned the number of bank accounts used in this**
21 **allocation. Have you addressed this concern?**

22 A: Yes, Mr. Woodcock questioned whether the Finance Department had responsibility to
23 invest certain funds in the accounts. As I indicated, investments have been removed
24 completely from the calculation.

25

26 **Finance - Purchasing**

27 **Q: Mr. Catlin indicates that no adjustment was made to remove advertising costs**
28 **from the purchasing agent component of the Finance Administration costs. Is this**
29 **true?**

30 A: Yes. Advertising was inadvertently included in the calculation during one of the
31 edits. We will remove these costs from our calculation.

1 **Q: Mr. Woodcock did not agree with the proposed allocation of purchasing costs.**
2 **He suggested that the percentage of unique purchase orders (18.6% for water) is a**
3 **more accurate method. Do you agree?**

4 A: Yes, we have revised the schedule to reflect the 18.6%.

5

6 **CITY SERVICES – CITY COUNCIL AND CITY CLERK**

7 **Q: Mr. Catlin, Mr. Woodcock and Mr. Harwig all take issue with using the number**
8 **of items on the agenda to allocate City Council and City Clerk support to the Water**
9 **Fund. Why did you utilize this method?**

10 A: I used this method because the City Council and the City Clerk provide valuable
11 services to the enterprise funds, including the Water Fund. However, there is simply is no
12 way to determine the exact amount of time and effort spent on enterprise fund issues with
13 100% certainty.

14

15 In examining the allocation of the City Council’s time, it is very difficult, if not
16 impossible, to measure time spent by Councilors in the execution of their duties. The time
17 spent by City Councilors is not limited to time spent in regularly scheduled Council
18 Meetings. City Councilors spend an inordinate amount of time attending other meetings,
19 studying issues, communicating with constituents, and communicating with the City
20 Manager, the City Department Heads and other staff.

21

22 Mr. Woodcock suggests that allocation of 11.4% of the Council’s time to the Water Fund
23 is not reasonable, and that “less than half of that time is reasonable...given the minimal
24 amount of time that is spent on the Water Division.” This testimony is offered without
25 any basis or experience. It totally ignores the experience and knowledge of those who
26 work for the City and have a better sense of the amount of meetings we attend, the
27 questions we address and the scope of particular enterprise fund issues.

28

29 While using the number of Council items related to the Water Fund at regularly
30 scheduled meetings is not a perfect method of allocating costs, it serves as a useful proxy,
31 by providing us an objective number. However, it is erroneous to say with absolute

1 certainty that using this methodology overestimates the Council's time spent on the
2 Water Fund. In fact, it may underestimate the amount of time the Council spends, and
3 will spend in the future, on the Water Fund.

4
5 It is once again important to remember that there is no Water Board or Water Authority
6 in Newport. As such, the City Council has ultimate authority over the Water Fund and
7 has to be involved with many issues related to the Water Fund. In particular, the Council
8 is the final approval authority on capital projects and debt issuances. In recent years, the
9 amount of capital projects and debt issuances has increased substantially. As set forth
10 herein above, the Water Fund is the only fund in the City that has issued debt in the six
11 and half years I have served as Finance Director. This includes the General Fund. As
12 such, additional attention to the Water Fund is required by many facets of Newport's
13 municipal government, including, but not limited to, the City Council. This increased
14 attention will not be diminished in near future. As the Water Fund embarks on the
15 construction of a new treatment plant at Lawton Valley and improvements to Station
16 One, the Council will have to devote increased time to the Water Fund.

17
18 Debt issuance requires a significant time and effort. In fact, City personnel have
19 expended a great deal of time assisting the Water Fund with its recent borrowings
20 through the RICWFA. These loans require a great deal of work including compliance
21 with the applicable regulations issues by the Department of Health and the Department of
22 Environmental Management. Those departments will not issue approval until the
23 projects are *very* specifically identified on the agency project priority list. As set forth in
24 Ms. Forgue's testimony, we have encountered issues with these borrowings that have
25 required additional work. These loans require coordination and meetings between the
26 City, RICWFA and either RIDOH or RIDEM and their respective bond and rate
27 attorneys, fiscal advisors and other personnel. As I indicated above, of the Water Fund's
28 business is complicated and time-consuming.

29
30 City Council members spend time involved in many areas of the City, but that does not
31 mean they don't spend time on Water Fund issues. A review of the minutes does not

1 show the amount of time and effort spent ahead of meetings, their review of
2 documentation, the time taken to ask and answer questions, or research done by the City
3 Council, City Manager and City Solicitor. It does not include effort and time spent in
4 workshops or executive sessions. The Clerk’s minutes regarding Water Fund items are
5 usually limited because of the highly technical nature of the discussions. On less
6 technical issues, the minutes may actually be more extensive as it is easier for the Clerk
7 to write about items such as a horse-drawn carriage request on Bellevue Avenue than a
8 chloramine conversion project or pipe loop testing.

9

10 Furthermore, a lack of identified discussion in the minutes may be more indicative of the
11 fact that decision makers were educated prior to the actual Council vote than a lack of
12 interest. I’m sure a discussion with any Council member would disabuse anyone of the
13 notion that Council members are ignorant and unconcerned with what is going on in the
14 Water Fund. Furthermore, nothing goes to the Council without a full vetting by the City
15 Manager. Much of that is done in meetings.

16

17 Nevertheless, we have reexamined the count for this allocation. A new count has been
18 performed from the minutes that addresses some of the issues raised and is attached. (LS
19 4 Rebuttal) Executive sessions were included in the count if the reasons could be
20 determined. CIP, budget and AFSCME contract items were not included. Items pulled
21 off of the consent agenda were included in the count even if they were only pulled off so
22 that Council members could recuse themselves. Citizen sign ups at the beginning of the
23 meetings were counted as separate items as were proclamations.

24

25 **Q: The Cost Allocation Manual also indicates that an additional allocation may be**
26 **made for a fund’s number of hours spent in workshops as compared to the total**
27 **number of hours in workshops with the exception that budget and capital**
28 **improvement budget workshops will not be included. Was this done?**

29 A: No, because a substantial amount of time was spent in these workshops specifically
30 related to water capital projects. As such, we thought that inclusion of these workshops
31 would actually skew results too heavily in favor of the Water Fund.

1 **Q: Mr. Catlin mentions that the agenda items at regular council meetings do not**
2 **include the items addressed by Council in executive sessions. Does this distort the**
3 **allocation?**

4 A: I do not believe it does. Executive sessions are closed to the public and are generally
5 called for one of two reasons – litigation and personnel matters. The minutes are sealed.
6 I cannot always identify the specific reason(s) for each listed executive session. I can tell
7 you that any and all discussions related to the Water Fund rate filings are held in
8 executive session because they are considered to be litigation by our City Solicitor who
9 makes the determination of what gets heard in executive session. So it is possible that
10 some of the executive sessions held for litigation purposes dealt with the Water Fund.
11 We have included in the count any sessions that we could identify.

12
13 **Q: Mr. Woodcock asserts that only 1% of City Clerk costs should be allocated to**
14 **the Water Fund because “the Commission is aware of PWFD’s historic attempts to**
15 **get records related to the Water Division,” and Mr. Catlin says that Newport Water**
16 **has not provided proof to allocate City Clerk costs in a method different than that in**
17 **the previous docket.” Can you address these concerns?**

18 A: Yes, we believe it is reasonable to use the same methodology as used for the City
19 Council since it is the Clerk’s responsibility to prepare, disseminate, and post the agendas
20 and to prepare and post the minutes. There is no other reasonable way that we can
21 determine to allocate those costs. It should be noted that the issues raised deal
22 specifically with the Water Fund, while the CAM was designed to reasonably allocate
23 costs to all enterprise funds.

24
25 In his testimony Mr. Woodcock talks about the “historic” attempts to get records from the
26 City Clerk’s office. However, a review of his data responses reveals little substantiation
27 for his claim. In this Docket, Mr. Woodcock was asked to provide specific information
28 on PWFD’s “historic” attempts to get records related to the water division from the
29 Clerk’s office (See NWD 2-9 attached). In response, Mr. Woodcock acknowledges that
30 there have been no attempts to get documents from the City Clerk since Docket 3818. He
31 then refers to PWFD’s data responses in Docket 3818. These data requests revealed that a

1 single call was made to the City Clerk's office by William McGlinn in 2007 requesting
2 three documents. (See NWD 1-14 attached). Mr. McGlinn did not know who he talked to,
3 but he was apparently unable to get the documents. It is unclear if he asked to speak to a
4 supervisor, or someone else who could help him. What is clear is that Mr. McGlinn did
5 not personally appear at the Clerk's office to request these documents. If he had, he
6 would have been able to procure the requested documents. The other historic attempt was
7 Mr. Woodcock's apparent effort in Docket 3578 (filed in 2003) to request records via a
8 phone conversation of an undetermined date with an undetermined person. (See NWD 3-
9 2 attached).

10
11 Despite protestations to the contrary, the City Clerk does keep all legal documents related
12 to the Water Fund. I have attached a recent example of an email response dealing with
13 Water Fund issues from the City Clerk to an outside requestor who, to my knowledge, is
14 unrelated to any participant in this rate case. (LS 5 – Rebuttal) In fact, the person who
15 made this request subsequently testified at the Open Hearing in Newport on March 26,
16 2009. In this response, the Clerk was able to provide documentation and information. It
17 should be noted that the City Clerk and staff usually refer any technical questions to other
18 personnel as they do not have the requisite knowledge to answer those questions.

19
20 **CITY SERVICES – ASSESSOR**

21 **Q: Mr. Catlin and Mr. Woodcock both disagree with the allocation of the City**
22 **Assessor's salary and benefits. Have you reviewed their concerns and testimony?**

23 **A:** Yes, and I can agree with Mr. Catlin's revision of this cost. Mr. Catlin suggested that
24 an annual cost of about \$12,400 divided by the hourly rate of \$125 equals 99 hours. 99
25 hours divided by an annual amount of 2080 hours equals 4.75% Adding in the annual
26 property declarations brings the allocation to 5%. We will change the rate model to
27 reflect an allocation of 5% of the City Assessor's salary and benefits.

1 **Q. Do you agree with Mr. Woodcock’s testimony on the allocation of the Assessor’s**
2 **costs?**

3 A. No I do not. I disagree with Mr. Woodcock’s analysis. Furthermore, Mr. Woodcock’s
4 critique highlights many of the problems faced in trying to fairly allocate City Service
5 Costs, and in some ways makes a case for complete outsourcing of services for the Water
6 Fund.

7
8 First, Mr. Woodcock argues there is no objective measurement for the allocation because
9 it was based on the Assessor’s judgment and years of experience. However, without
10 having someone follow the Assessor for a full year and time his activities, it may be
11 impossible to calculate an absolutely objective measurement of the time he spends on
12 individual tasks. As such, it is our belief that the Assessor is a completely valid source for
13 estimating the time he spends on Water Fund issues. The Assessor has been with the City
14 for 27 years, 22 of which he has served as Assessor. In addition, he is a certified general
15 appraiser. Thus, we felt he had the necessary experience and was the best person to
16 perform this analysis.

17
18 Second, Newport did not try to “justify” this allocation based on the value of services
19 provided as Mr. Woodcock suggests. The information referred to on page eighteen of Mr.
20 Woodcock’s testimony came from a response to PWFD 2-9, which asked Newport to
21 “provide some quantifiable basis for the assessor’s estimate that 10% of his time is for
22 the water department.” Newport responded that the 10% allocation was based on the
23 Assessor’s “experience and judgment.” In addition, Newport provided a quantifiable
24 analysis, as requested, that supported the Assessor’s judgment of time spent. This
25 analysis examined what it would likely cost to outsource the duties the Assessor performs
26 on behalf of the Water Fund. The analysis was conducted to draw an analogous
27 comparison to the cost estimated in Newport’s allocation of the Assessor’s time.

28
29 Once again, it must be stressed that the CAM was developed in an effort to fairly allocate
30 costs. Mr. Woodcock argues that the analysis provided in response to PWFD 2-9
31 “grossly” overinflates the costs of outsourcing these costs. The only true way to make

1 this determination is to outsource *all* services provided by the City. Then all the parties
2 can be assured that the Water Fund is paying the actual cost of these services. However,
3 since the Water Fund is so intertwined with the City, it does not seem efficient to do so.

4
5 **CITY SERVICES – COLLECTIONS**

6 **Q: Mr. Catlin and Mr. Woodcock both disagree with the method of allocating costs**
7 **in the Collection Division. They both indicated that tasks performed by the**
8 **Collection Department were left out of the calculation but should have been**
9 **included. Have you revised this schedule based on their recommendations?**

10 A: Yes, I have. I have included the fishing parking permits, tax notices, delinquent
11 notices, municipal lien certificates and resident parking permits in the calculation. (LS 6
12 – Rebuttal) The revised schedule is attached. The new percentage allocation for the
13 Water Fund is 15.26%.

14
15 **CITY SERVICES – ACCOUNTING**

16 **Accounting (5%)**

17 **Q: Mr. Catlin disagrees that 5% of the Controller and Accounting Supervisor**
18 **salary and benefits should be directly allocated to the Water Fund because there is**
19 **no justification to support the allocation. Did you provide any justification for this**
20 **allocation?**

21 A: Yes, a schedule of wire and journal entry counts was provided as part of the response
22 to PWFD 1-15(i). This schedule is attached here as well. (LS 7 - Rebuttal) All activity in
23 the Water Fund with the exception of vendor checks is processed through wires, transfers
24 and journal entries. That is all done by the Controller and Accounting Supervisor with
25 approval of the City Finance Director. The enclosed schedule shows the counts of wires,
26 transfers and journal entries for FY2007, which shows that 33.2% of all wires and/or
27 transfers were for the Water Fund and 27.4% of all journal entries were for the Water
28 Fund. This reflects normal activity and transactions in a given year. However, I did not
29 want to skew the results too heavily in favor of the Water Fund, so I did not use these
30 percentages to allocate costs. I simply assigned five percent to the Water Fund.

31

1 **Q: Mr. Woodcock disagrees with the description of services performed by the**
2 **Accounting Division and the allocation of cost based on payroll and vendor checks.**
3 **Can you address this?**

4 A: Yes. Mr. Woodcock indicates he is “concerned about the description of the services
5 provided by this division in the CAM. The manual lists five responsibilities: only one is
6 related to processing vendor and payroll checks” (Woodcock Direct, p. 19). Mr.
7 Woodcock then takes the cost to be allocated and divides it by the number of checks to
8 come out with a cost per check. This is a distortion of the methodology I used in this
9 allocation.

10
11 The use of payroll and vendor checks was used as an objective proxy to calculate the
12 Accounting Division’s time. Three of the other listed functions are employee related: W-
13 2 preparation, quarterly and annual tax requirements, and administration of the deferred
14 compensation and Section 125 Plan programs. Thus, the count of payroll checks gave us
15 an objective number to use in allocating time spent on all of these employee related
16 function. In addition, Accounting pays the water vendors from the water fund checking
17 account. Thus, the number of these checks also served as an objective proxy for the
18 Accounting department’s time.

19
20 Mr. Woodcock also mentions items discussed on page 138 of the City’s 2008-2009
21 Operating Budget. One item he mentions is that page 138 indicates that the Accounting
22 Division prepares all regulatory reports for the City and School. That item refers to the
23 payroll function only. The School has to be combined with the City for the quarterly 941
24 reports (federal tax withholding reports) and the W-2 preparation at year-end. That is
25 information given to the Controller or Payroll Clerk by the School each quarter and is
26 then combined with the City information. The City does prepare and mail the reports but
27 is not responsible for the School’s information. The same process applies for the W-2
28 preparation which is done during the first week of January.

29
30 Mr. Woodcock also mentions the administration, processing and reporting of the Police
31 and Fire pension plans. Those checks are included in the payroll counts and reduce the

1 percentage allocations to the other funds. Also, that function has recently (March, 2009)
2 been outsourced to JP Morgan.

3

4 **CITY SERVICES – CITIZEN’S SURVEY**

5 **Q: Mr. Woodcock questioned the allocation of the Citizen Survey costs. Have you**
6 **revisited this issue?**

7 A: Yes, the survey was supposed to be an annual survey but will likely be every two to
8 three years. As such, we have decided not to allocate citizen survey costs.

9

10 **CITY SERVICES – HUMAN RESOURCES**

11 **Q: Mr. Woodcock questioned the allocation of the Human Resources division based**
12 **on the number of full time equivalent employees. He believes seasonal employees**
13 **should be included. Do you agree with this?**

14 A: No. It takes very little time to provide HR services to seasonal employees. The
15 limited nature of the work performed by seasonal employees and in particular, their lack
16 of benefits, greatly reduces the time spent by HR on seasonal employees. Seasonal
17 employees also do not have to be hired using the various contracts which include testing
18 and lists.

19

20 **CITY SERVICES – POLICE AND FIRE SERVICES**

21 **Q: Mr. Woodcock has characterized the allocation of police and fire services as a**
22 **thinly veiled tax that the City is not authorized to levy. Do you agree?**

23 A: I do not agree with Mr. Woodcock. It is true that police and fire services, along with
24 finance, management, and all other basic services are generally paid for with property
25 taxes along with some other revenues. Normally, you could not collect the cost of direct
26 services from taxpayers when the service is clearly supported to some degree by tax
27 revenue. However, the City of Newport does not charge taxes to the Water Fund or other
28 enterprise funds. It allocates General Fund supported costs through a cost allocation
29 process.

30

1 **Q: Mr. Woodcock goes on to say that the City of Newport is only charging some fee**
2 **supported governmental enterprise funds for police and fire services and “cannot**
3 **charge churches, schools and other tax exempt properties for police and fire**
4 **service.” Can you address this please?**

5 A: Yes. The City of Newport does not tax all property, but does collect fees for services
6 from certain tax-exempt properties. We also receive PILOT funds from the State of
7 Rhode Island to pay for tax supported services to certain tax exempt organizations. The
8 City of Newport has FY2009 projected General Fund revenues of \$1,298,802 from these
9 types of arrangements.

10
11 **CITY SERVICES – MIS**

12 **Q: Mr. Woodcock indicates that he has “several problems” with the proposed MIS**
13 **Division allocations. One of his concerns is that the MIS budget includes postage**
14 **that should be removed for the Water Fund. Can you address this?**

15 A: Yes, a portion of the MIS budget contains postage for water billing. We will remove
16 the \$45,000 from the MIS Budget for allocation to the Water Fund. See the attached
17 revised schedule of MIS Budget allocations. (LS 8 Rebuttal)

18
19 **Q: A second concern of Mr. Woodcock’s is that he cannot identify the reduction in**
20 **the MIS Budget for the 45% of ERP Costs allocated to the Schools. Is this amount**
21 **removed in the allocation calculation?**

22 A: Yes. A schedule was provided in response to PWFD 1-15(m) that shows the cost of
23 the ERP system and then removes it from the allocated budget at the bottom of the page.
24 I have revised the schedule to eliminate the \$45,000 for postage and attached it as an
25 exhibit. (LS 8 Rebuttal) Please see that schedule for the 45% School allocation reduction.

26
27 **Q: Mr. Woodcock is also concerned because he believes that the Schools should be**
28 **included as a “Department” that the MIS Division supports. Do you agree?**

29 A: No. The School is not a department of the City. They have their own computer
30 systems, hardware and software. They do all of their own training. We do not train their
31 personnel on their systems or software. The School and City do share financial and

1 payroll software. This used to be supported in-house by the City MIS Division. The
2 support of the software is now outsourced, although the hosting fees replace hardware
3 and other support fees in the MIS budget. 45% of the cost of the support and software
4 maintenance fees is allocated to the schools. That amount is removed from the budget as
5 indicated above. The language on page 149 of the City's budget has been changed in the
6 Proposed FY10 Operating Budget to reflect the changes as a result of the ERP
7 implementation that went into effect in April 2008 and January 2009.

8

9 **Q: Mr. Woodcock indicates that “there are a number of adjustments that do not**
10 **appear to have been made by the City in accordance with its own manual.” Can**
11 **you address this?**

12 A: Yes, Mr. Woodcock clarified his comment in his response to PWFD 3-1. According
13 to that response, the adjustments refer to reductions to the MIS budget prior to
14 allocation. I provided a schedule in PWFD 1-15 (m), a revised copy of which is attached
15 as LS-8 Rebuttal, that identifies all of the adjustments made to the MIS budget prior to
16 allocation.

17

18 **Q: Does this conclude your testimony?**

19 A: Yes it does.

TITLE 16

Education

CHAPTER 16-2

School Committees and Superintendents

SECTION 16-2-9

§ 16-2-9 General powers and duties of school committees. – (a) The entire care, control, and management of all public school interests of the several cities and towns shall be vested in the school committees of the several cities and towns. School committees shall have, in addition to those enumerated in this title, the following powers and duties:

- (1) To identify educational needs in the community.
- (2) To develop education policies to meet the needs of the community.
- (3) To provide for and assure the implementation of federal and state laws, the regulations of the board of regents for elementary and secondary education, and of local school policies, programs, and directives.
- (4) To provide for the evaluation of the performance of the school system.
- (5) To have responsibility for the care and control of local schools.
- (6) To have overall policy responsibility for the employment and discipline of school department personnel.
- (7) To approve a master plan defining goals and objectives of the school system. These goals and objectives shall be expressed in terms of what men and women should know and be able to do as a result of their educational experience. The committee shall periodically evaluate the efforts and results of education in light of these objectives.
- (8) To provide for the location, care, control, and management of school facilities and equipment.
- (9) To adopt a school budget to submit to the local appropriating authority.
- (10) To adopt any changes in the school budget during the course of the school year.
- (11) To approve expenditures in the absence of a budget, consistent with state law.
- (12) To employ a superintendent of schools and assign any compensation and other terms and conditions as the school committee and superintendent shall agree, provided that in no event shall the term of employment of the superintendent exceed three (3) years. Nothing contained in this chapter shall be construed as invalidating or impairing a contract of a school committee with a school superintendent in force on May 12, 1978.

LS 1 Rebuttal

- (13) To give advice and consent on the appointment by the superintendent of all school department personnel.
- (14) To establish minimum standards for personnel, to adopt personnel policies, and to approve a table of organization.
- (15) To establish standards for the evaluation of personnel.
- (16) To establish standards for conduct in the schools and for disciplinary actions.
- (17) To hear appeals from disciplinary actions.
- (18) To enter into contracts.
- (19) To publish policy manuals which shall include all school committee policies.
- (20) To establish policies governing curriculum, courses of instruction, and text books.
- (21) To provide for transportation services which meet or exceed standards of the board of regents for elementary and secondary education.
- (22) To make any reports to the department of education as are required by the board of regents for elementary and secondary education.
- (23) To delegate, consistent with law, any responsibilities to the superintendent as the committee may deem appropriate.
- (24) To address the health and wellness of students and employees.
- (25) To establish a subcommittee of the school board or committee to decrease obesity and address school health and wellness policies for students and employees consistent with § 16-21-28.
- (b) Nothing in this section shall be deemed to limit or interfere with the rights of teachers and other school employees to collectively bargain pursuant to chapters 9.3 and 9.4 of title 28 or to allow any school committee to abrogate any agreement reached by collective bargaining.
- (c) The school committees of each city, town, or regional school district shall have the power to bind their successors and successor committees by entering into contracts of employment in the exercise of their governmental functions.
- (d) Notwithstanding any provisions of the general laws to the contrary, the requirement defined in subsections (d) through (f) of this section shall apply. The school committee of each school district shall be responsible for maintaining a school budget which does not result in a debt.
- (e) The school committee shall, within thirty (30) days after the close of the first and second quarters of the state's fiscal year, adopt a budget as may be necessary to enable it to operate without incurring a debt, as described in subsection (d).
- (f) In the event that any obligation, encumbrance, or expenditure by a superintendent of schools or a school committee is in excess of the amount budgeted or that any revenue is less than the amount

LS 1 Rebuttal

budgeted, the school committee shall within five (5) working days of its discovery of potential or actual over expenditure or revenue deficiency submit a written statement of the amount of and cause for the over obligation or over expenditure or revenue deficiency to the city or town council president and any other person who by local charter or statute serves as the city or town's executive officer; the statement shall further include a statement of the school committee's plan for corrective actions necessary to meet the requirements of subsection (d). The plan shall be approved by the auditor general.

(g) Notwithstanding any other provision of law, whether of general or specific application, and notwithstanding any contrary provision of any city or town charter or ordinance, the elected school committee of any city, town and regional school district shall be, and is hereby authorized to retain the services of such independent legal counsel as it may deem necessary and convenient. Any counsel so retained shall be compensated out of funds duly appropriated to the school committee, and in no event shall the independent counsel be deemed to be an employee of the pertinent city or town for any purpose.

City of Newport
 Calculation of Finance Administration Allocation - REVISED
 to Enterprise Funds

FY2009 Finance Admin Budget	478,086	
Less Purchasing Agent Salary & Benefits	(90,123)	
Less Purchasing Agent Advertising Budget	<u>(14,000)</u>	separately allocated
Total	373,963	

Per CAM:

80% allocated based on percent of budgets	299,170
15% does not get allocated	56,094
5% allocated based on bank accts	18,698

Bank Weighted Percentage Allocation:

General, Maritime, Parking and Beach	52.50%	9,817
Water	37.00%	6,918
WPC	8.00%	1,496

Debt Issued during FY2007:
 Water \$3M drawdown Revenue Bond 100%

Note: Did not use Debt issued in a given year as it, while very time consuming, gives unfair allocation to the Water Fund

City of Newport
 Bank and Investment Accounts - REVISED
 rev on 4/7/09

		Percentage of time spent**
General Fund Imprest Fund	} Main operating fund of all accounts other than Water	35.00% general
Rescue Service Public Fund Investment Account	deposits and interest sweep account; interest only	2.00% general 1.00% general
Water Fund Checking Account	all water fund activity not in restricted or debt escrows	20.00% Water
School Federal Grants	transfers out of some state and federal funds (about 12 per year)	1.00% general
Interpark Savings	deposits and interest	2.00% parking
Investment PIP	interest only (balance under \$50)	1.00% general
Rehab Loan Account	deposits and interest	5.00% general
Acquisition Loan Account	interest with about 2 deposits a year	1.00% general
EDA Loan	interest and deposits (not a lot of activity)	2.00% general
EDA Sequestered Loan	} interest only	general
Water Electricity	} interest and monthly transfers in and out	6.00% water
Water Accrued Benefits		water
Water Retiree Insurance		water
Water Capital Improvement		water
Water Chemicals		water
WPC Revenue Fund	monthly analysis and transfer	6.00% WPC
MBIA General	interest and transfers as needed (about 12 a year)	4.00% general
MBIA Parking	interest and one transfer a year	0.50% parking
MBIA Property Proceeds	Interest only	0.50% general
MBIA CSO Fixed Fees	Interest and monthly transfer in and out	2.00% WPC
WPC Debt Service Reserve	escrow as required by bond covenant	0.00% WPC
Water Debt Service Reserve	escrow as required by bond covenant	0.00% water
Water Debt Service Reserve	escrow as required by bond covenant	0.00% water
Water RIDOT Escrow	low activity but requires permission from RIDOT	1.00% water
Water Debt Service	required by bond covenant and by RIPUC interest, monthly transfers in and out and all debt service pymts	10.00% water
Water Sinking Fund	required by bond covenant	0.00% water
		100.00%

** Percentage of time spent based on Finance Director's knowledge of accounts.

Number of Accounts	28
Those requiring little to no time	-4
	24

	# of accounts	Percentage of Time
General	12	52.50%
Water	8	37.00%
WPC	3	8.00%
Parking	2	2.50%
Beach	0	
Maritime	0	

LS 3 Rebuttal

Bond Trust Indenture

(Sample From #3m SRF Loan)

... to the redemption date, shall be held by the Paying Agents so as to be ...
... said date and if notice of redemption shall have been given as aforesaid,
... the redemption date interest on the Bonds or portions thereof so called for
... to accrue and become payable. If said moneys shall not be available on
... such Bonds or portions thereof shall continue to accrue interest until paid at
... as applicable, and in the same manner as they would have borne had they
... redemption.

ARTICLE V

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 501. The Pledge Effected by the Indenture. There are pledged pursuant to the ...
... the payment of the Principal Amount and Redemption Price of and interest on the ...
... subject to the provisions of Section 209, Subordinated Bonds, in each case, subject to ...
... of the Indenture permitting the application thereof for the purposes and on the ...
... conditions set forth in the Indenture, (i) subject to Section 207, the proceeds of sale of ...
... all Revenues, and (iii) all moneys, securities and Reserve Deposits in all funds and ...
... established by or pursuant to the Indenture except the Operating Fund, the Rebate Fund ...
... Restricted Fund. The Bonds and Subordinated Bonds shall be limited obligations of ...
... solely from the Revenues and funds and accounts pledged hereunder. The Bonds ...
... Subordinated Bonds and the obligations evidenced thereby shall not constitute a general ...
... or a pledge of the full faith and credit of the City within the meaning of any ...
... or statutory provision. No Bondholder shall ever have the right, directly or ...
... require or compel the exercise of the taxing power of the City for the payment of ...
... Subordinated Bonds or any obligation of the City hereunder. The Bonds and ...
... Subordinated Bonds and the obligations evidenced thereby shall not constitute a lien or ...
... on any property of or in the City other than the Revenues and funds pledged ...
... Neither the State nor any political subdivision thereof or city or town therein, other ...
... the City, shall be obligated to pay the Bonds or Subordinated Bonds and neither the faith ...
... nor the taxing power of the State or any political subdivision thereof or city or town ...
... pledged to the payment of the Bonds or Subordinated Bonds.

Section 502. Establishment of Funds and Accounts. The following funds shall be ...
... to be held by the Trustee, except the Operating Fund, the Insurance Reserve Fund and ...
... Restricted Fund, which shall be held by the City in the custody of one or more banks ...
... by the City (including but not limited to the Trustee or any Depository) and the Revenue ...
... and any Capital Improvements Accounts of the Project Fund, which, prior to the occurrence ...
... Event of Default hereunder, shall be under the exclusive control of the City, and which ...
... shall be held by the Trustee upon the occurrence of any Event of Default hereunder:

- (i) Project Fund
- (ii) Revenue Fund
- (iii) Operating Fund

- (iv) Debt Service Fund
- (v) Redemption Fund
- (vi) Debt Service Reserve Fund
- (vii) Rebate Fund
- (viii) Operation and Maintenance Reserve Fund
- (ix) Insurance Reserve Fund
- (x) Unrestricted Fund

There shall be established within the Project Fund one or more Capital Improvements Accounts. There shall be established within the Debt Service Fund separate accounts to be known as the Debt Service Account, the Stabilization Account, the City Loan Repayment Account and the Debt Service Assistance Account. The City may establish, in connection with the issuance of one or more Series of Bonds or Subordinated Bonds, or pursuant to any order of the Public Utilities Commission, additional funds or accounts hereunder to be held for the benefit of one or more Series of Bonds or Subordinated Bonds and subaccounts within the funds and accounts established hereunder, as set forth in Supplemental Indentures. Any fund or account established pursuant to an order of the Public Utilities Commission may be closed with the approval of the Public Utilities Commission, without Bondholder consent.

Section 503. Project Fund.

- (1) The Supplemental Indenture for any Series of Bonds or Subordinated Bonds in whole or in part to pay the Cost of any Project may establish within the Project Fund one or more separate accounts (herein called "Project Accounts") for such Series of Bonds or Subordinated Bonds.
- (2) There shall be deposited in each Project Account (i) the amount, if any, provided in any applicable Supplemental Indenture to be deposited therein to pay the Costs of the Projects financed by such Series, and (ii) any other amounts (not required by the Indenture to be otherwise deposited), as determined by the City, including without limitation the proceeds of any loan made under any Agency Loan Agreement which the City elects to deposit in the Project Account pending disbursement thereof to the extent permitted by the Agency.
- (3) Amounts in any Project Account shall be disbursed to or upon the order of the City to be applied to the Cost of the Projects financed in whole or in part by such Series upon the order of the Trustee of one or more requisitions, in form annexed to and incorporated into the Supplemental Indenture, subject to any additional requirements imposed by the applicable Supplemental Indenture, signed by an Authorized Officer (who for purposes of this Section 503 shall be the Public Works Director of the City or such other person as the City Council may designate). Upon completion of any Project the Costs of which are payable from a Project Account, the City shall file with the Trustee a certificate of an Authorized Officer, approved by a Consulting Engineer, setting forth the final Cost of such Project and stating (i) that such Project has been completed to the satisfaction of the City and (ii) that all amounts withdrawn from the applicable Project Account with respect to such Project have been applied to the Cost of such

City of Newport
 Count of Council Items for Meetings - REVISED
 rev on 4/8/09

<u>Date of Meeting</u>	<u>General</u>	<u>Water</u>	<u>WPC</u>	<u>Beach</u>	<u>Parking</u>	<u>Harbor</u>	<u>Total</u>
July 11, 2007	25	1	1			1	28
July 25, 2007	12		1			1	14
August 8, 2007	24				2		26
August 22, 2007	24	2			3	1	30
September 12, 2007	22	2	1		1		26
September 26, 2007	24		1	1			26
October 10, 2007	18		1				19
October 24, 2007	28	3				2	33
November 14, 2007	27	3				1	31
December 12, 2007	26	6		1			33
January 9, 2008	13	2	1		1	1	18
January 23, 2008	20	1				5	26
February 13, 2008	16	2		2		1	21
February 27, 2008	24	3		3		1	31
March 12, 2008	21	1		2		2	26
March 26, 2008	27	1					28
April 9, 2008	25		2	1	1		29
April 23, 2008	29	2		2	3		36
May 7, 2008	27	1			3	1	32
May 28, 2008	29	3	1		2		35
June 11, 2008	33					1	34
June 25, 2008	20	2	3	1	1		27
Total	514	35	12	13	17	18	609
Percent of Total	84.40%	5.75%	1.97%	2.13%	2.79%	2.96%	

Sitrin, Laura

From: Silvia, Kathy
Sent: Tuesday, February 24, 2009 4:29 PM
To: 'johnstephenreed@aol.com'
Cc: Lavallee, Ed; Kathryn E. Leonard; Forgue, Julia; Sitrin, Laura
Subject: Requested Information

Hi, John.

I'm writing in response to your e-mail on Friday, February 20th.

Attached are (1) the City Services Cost Allocation Manual (8 pgs.) and the PUC Rate Filing--Exhibits for Testimony of Harold Smith (62 pages).

The Cost of Service Demand Study has not been completed. As it says in the testimony, it is due September 2009; however, the City will be requesting a 60 day extension as additional data will be collected this summer for the study.

Our Finance Director has the Cost Allocation Manual. I will ask her if she can provide an electronic study that can be forwarded to you.

With regard to the preliminary engineering drawings that have been completed, you will have to go to the Water Department on Halsey St. North to view them as there are not extra copies available. Also, the electronic versions of the schedules are not available; however, they can be printed from the website.

I hope this information is helpful. The person you really should speak to for more details is our Utilities Director, Julia Forgue at 845-5600, or she can be contacted by e-mail at jforgue@cityofnewport.com

I hope this is helpful.

Sincerely,

Kathy Silvia

FROM John Reed:

I'd like to request your assistance with locating the following items that are referenced in or pertinent to Docket # 4025 submitted by the Water Division to the PUC:

- Cost of Service and Demand Study (ref: Direct Testimony of Harold Smith, RFC, Inc Pg. 13, Line 22)
- Cost Allocation Manual (ref: Direct Testimony of Julia Forgue, Water Division Pg. 36 Line 12)

Both referenced documents are located at the following webiste:

<http://www.ripuc.org/eventsactions/docket/4025page.html>

4/6/2009

- Copy of Preliminary Design of Easton Pond Dam and Moat Study #07-005 completed in DEC 07 and referenced in City of Newport Communication #4490/09

http://70.168.205.112/newport_ri/lpext.dll?f=templates&fn=site_main-j.htm&2.0

If at all possible, I'd also like to request an electronic copy of the Schedules attached to the testimony provided by Harold Smith. I'd like to be able to use the data to prepare for the PUC meeting in March.

I plan to be in Newport next Friday, February 27 and can meet you at a time that is convenient for you.

Thanks.

John Reed
(401) 662-9676

City of Newport
 Tax Collector Schedule for Allocation - REVISED
 rev 4/13/09

		FY2008		
Description of Task	Item Counts	Percentage		
Fishing parking permits	61	0.03%		
Tax payments processed	68,038	33.07%		
Water and sewer payments	62,799	30.53% **		15.26%
Tax notices	19,227	9.35%		
Delinquent notices (tax only)	11,543	5.61%		
Municipal Lien Certificates	861	0.42%		(applies to all funds)
Resident Parking Permits	13,800	6.71%		
Parking Ticket Collections	29,389	14.29%		
Total	205,718	100.00%		

** This percentage split evenly between Water and WPC

City of Newport
 FY2007 Count of Wires and Journal Entries

Wires and/or Transfers:

Water Transfers (several pages each)	68	33.2%
All Other	137	66.8%
	<hr/>	
Total	205	

Journal Entries:

Maritime Fund	34	3.9%
Parking Fund	36	4.2%
Easton's Beach Fund	12	1.4%
Water Pollution Control Fund	70	8.1%
Water Fund	237	27.4%
All Other Funds	475	55.0%
	<hr/>	
Total	864	

Note that payroll entries were not included as they affect all funds with employees equally

City of Newport
 Cost Allocation - REVISED
 MIS Expenditures
 FY2009 Budget

Adopted FY09 Operating Budget	1,171,857
Adopted FY09 Capital Budget	215,000
Less: Temporary Salaries	(25,000)
Postage Costs	(45,000)
Vision Appraisal Fees	(2,800)
Judicial Case Mgmt Fees	(4,200)
Master Mind Traffic Suite	(200)
FD SmartPhone	(1,200)
FD Projector	(900)
Lease Purchase Costs	(40,300)
Total Costs to be allocated	<u>1,267,257</u>

Allocation of ERP Costs to School:

Accuprint	3,200
Lawson/BSI/MHC	81,533
Velocity Hosting Fees	131,100
Total ERP Costs	<u>215,833</u>
School's Portion at 45%	<u>97,125</u>
Balance to City	118,708

Communications Cost:

CS&M	25,000
Telephones and Communications	303,960
Total Communications Cost	<u>328,960</u>

Percentage of Budget Allocation:

Total Costs to Be Allocated (per above)	1,267,257
Less: School ERP	(97,125)
Less: Communications Cost	(328,960)
Balance to Allocate Based on Percent of Budget	<u>841,172</u>

**PORTSMOUTH WATER & FIRE DISTRICT'S
RESPONSES TO NEWPORT WATER'S
SECOND SET OF DATA REQUESTS
Docket No. 4025**

NWD 2-9: On Page 15, Lines 15-16, Mr. Woodcock testified about PWFD's "historic attempts" to get records related to the water division from the Clerk's Office." With regard to this testimony, please state the following:

- a) Each date and time Mr. Woodcock, or any other representative of PWFD, attempted to get records related to the Water Division from the Newport City Clerk's Office;
- b) The exact documents Mr. Woodcock, or any representative from PWFD, attempted to obtain;
- c) The name of the person(s) Mr. Woodcock, or any representative of PWFD, spoke with;
- d) Any and all documents which evidences, support or memorialize the attempts made by Mr. Woodcock, or any other representative of PWFD, to get records related to the Water Division from the Newport City Clerk's Office.

Response:

- a) There is no claim to have attempted to get documents from the City Clerk's office since Docket 3818. Please see the responses from PWFD to NWD data requests 1-13 and 1-14 in Docket No. 3818, where Newport essentially asked this same question and PWFD responded. Newport Water has the same access to documents in prior filings that PWFD does.
- b) See (a) above
- c) See (a) above – Neither Mr. Woodcock, nor any representative of the PWFD have the names
- d) Please see the following documents from prior dockets that Newport has the same access to as does PWFD and its consultants:
 - a. The responses from PWFD to NWD data request 1-13 and 1-14 in Docket No. 3818
 - b. Mr. Woodcock's surrebuttal testimony in Docket 3675 (approx pages 5-6)
 - c. Mr. Woodcock's prefiled testimony in Docket 3818 (approx page 16)
 - d. Mr. Woodcock's prefiled surrebuttal testimony in Docket 3818 (approx pages 16-18)

Prepared By: Christopher Woodcock

NWD 1-14. In Mr. Woodcock's testimony (Page 16, Lines 9-12), he indicates that in April 2007 he had someone from the Portsmouth Water and Fire District call the City Clerk's Office looking for certain documents. Please have Mr. Woodcock set forth all facts upon which he bases this assertion. Include in the answer the following:

- a) The date and time of the telephone call;
- b) The name and address of the person who made the phone call on Portsmouth's behalf.
- c) The exact document the person indicated they were looking for;
- d) The person in the Clerk's Office who they spoke to;
- e) Any and all documents which support this conversation.

Response:

- a.) April 14, 2007 at 2:53 PM
- b.) William McGlinn, 1944 East Main Road, Portsmouth, RI
- c.) Three documents were requested:
 - 1) Copy of Water Rate Schedule.
 - 2) Copy of City's rate increase request to the PUC.
 - 3) Copy of the Scope of work for the management study.
- d.) I dialed the extension of Laura MacSweeney, Senior Clerk, x5342 as selected from the City Clerk's web site. I do not know if this is the person that answered the phone and that I spoke to.
- e.) See William McGlinn phone call journal entry, attached.

Prepared by: W. McGlinn

NWD 3-2. In Newport's first set of data requests to PWF, Newport made the following request (No. 13):

"In Mr. Woodcock's testimony (Page 16, Lines 6-9), he indicates that he called the Newport City Clerk's Office seeking various documents. Please have Mr. Woodcock set forth all facts supporting this assertion, including the following:

- a) The date and time Mr. Woodcock called the City Clerk's Office;
- b) The exact documents he indicated he was seeking;
- c) The name of the person Mr. Woodcock spoke with;
- d) Any and all documents which evidence, support or document this telephone call."

Mr. Woodcock responded as follows:

"Mr. Woodcock spoke to the City Clerk's office during the last docket when the issue of the allocation of this office to the Water Department came up. Please see the record of that docket for such information."

As Mr. Woodcock knows the "record" of Docket 3675 contains a number of documents. Further, Newport's review of that Docket does not reveal the specific information sought in subsections (a) through (d) requested in NWD 1-13. Therefore, Newport requests that either Mr. Woodcock produce the specific documents from Docket 3675 that contain the information sought in subsections (a) through (d) in NWD 1-13 or that Mr. Woodcock provide the answers to subsection (a) through (d) requested in NWD 1-13 as Mr. McGlenn did in his answer to NWD 1-14.

Response:

The only information Mr. Woodcock has on this matter is his pre-filed surrebuttal testimony in Docket 3675 (page 5) which stated:

In preparing the response to Newport's data request I telephoned the City Clerk's Office in Newport and asked for several documents (a copy of the water rates, a copy of the recent rate filing with the PUC, and a copy of the recent engineering contract with Maguire). In each case I was politely referred to the Water Department to get this information. In light of this response to my request for official records and documents I am comfortable that the 1% or \$4,590 allocation for the Clerk's Office is sufficient. Newport's proposed allocation of \$36,858 to the Water Fund is excessive and not supported.

Mr. Woodcock was unable to find any additional information in the documents he has on this docket. Mr. Woodcock believes there may have been some questions asked during live testimony on this matter, however, he does not have transcripts of those proceedings.

Prepared by: C. Woodcock