

The Narragansett Bay Commission
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Vincent J. Mesolella
Chairman

Paul Pinault, P.E.
Executive Director



OFFICIAL MINUTES OF:

Meeting of:	Joint Long Range Planning/ Finance Committee
Date:	September 29, 2004
Time:	10:15 AM

MEMBERS PRESENT

Vincent Mesolella
Paul Pinault, Executive Director
Robert Andrade, Finance Chair
Richard Oster
Laurie Kijak
Michael Salvatore
Rep. John J. McCauley
Richard Oster

MEMBERS ABSENT

Joseph Kimball
Richard Burroughs
Rep. Peter Ginaitt
Dr. Isadore Ramos
Michael DiChiro
R. David Cruise

STAFF AND GUESTS PRESENT

Karen Giebink, NBC
Ray Marshall, NBC
Jamie Samons, NBC
Francie Brown, NBC
Tammy Novo, BFMM
Maureen Gurghigian, FSC

Bill Cox, NBC
Jean-Marie Grossi, NBC
Leah Foster, NBC
Laurie Horridge, NBC
Paul Frechette, BFMM
Stephen Maceroni, FSC

1. Call to Order

Recognizing a quorum was not present at this time, Finance Chair Andrade called the September 29, 2004 Finance Committee meeting to order at 10:22 a.m.

2. Approval of Minutes – June 16, 2004 Joint LRP/Finance Committee Meeting

When a quorum was present, Finance Chair Andrade asked the members of the Joint LRP-Finance Committee if they had a chance to review the minutes of the June 16, 2004 Joint LRP/Finance Committee Meeting. Commissioner Oster motioned to approve the minutes of the June 16, 2004 Joint LRP/Finance Committee Meeting as written. Commissioner Kijak seconded the motion and the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

3. Items for Action

A. Review of Monthly Financial Statements

Ms. Karen Giebink stated that copies of the August 2004 Financial Report are included in all Committee members packets. She noted that there has been a few modifications to reflect the new funding structure, as well as our new budget and the way that we budget for program new date. With respect Budget versus Actual, we are approximately 16.7% of the way through the fiscal year and we are spending at a level of 13.9%, which is below budget. With respect to billings, the July billing was approximately \$11.6 Million, which was about 5% lower than what we had estimated, but she noted that we are still pleased with that billing. On Page Two, Item 3 Cash and Investments total \$83.6 Million. Page Three reflects our notes, bonds, and loans outstanding. The last page highlights capital payments by month and source, as well as cumulative capital expenditures. Also attached to the August 2004 Financial Report are the financial statements and the detailed budget versus actual statement.

B. Consideration of Purchase Requisitions

None.

C. Consideration of Personnel Actions

Mr. Pinault stated that the first item is outlined in a memo from Paul Nordstrom dated September 15, 2004, to the Personnel Committee. He noted that we currently have one of our lead mechanics on light duty; and, in addition, we have a long-term mechanic scheduled to retire in late-December. Meanwhile, the workload in the Field's Point Maintenance Section has increased. We presently have a vacant Operation I position (Grade D15). It is proposed that this vacant position be converted to a Mechanic position (Grade D18). It is expected that this new position will be filled from within the local. In addition, it is proposed that when the incumbent mechanic retires later this year, that this Mechanic position be converted back to an Operator I position. These changes should have no impact on the budget, but will help to keep up with the maintenance workload.

Mr. Pinault stated that the next item is also outlined in a memo from Paul Nordstrom dated September 23, 2004, to the Personnel Committee. He noted that we recently had The Employer's Association conduct job evaluations for several positions in the Field's Point Operations Division. Two of the employees were new to their position at the time the initial job evaluation was done several years ago. Since that time, both individuals have taken on more responsibility and have expanded their job duties. NBC's internal non-union job evaluation committee met and reviewed the changes, and concluded with the following changes:

- Upgrade and change the job title of the Control Systems Technician (Grade 6) to Assistant Control System Administrator (Grade 7);

- Upgrade and change the job title of the Facilities Engineering Technician (Grade 6) to Instrumentation Engineer (Grade 7).

Mr. Pinault stated that there is sufficient money in the budget to pay for these changes.

With no discussion, Commissioner Kijak motioned to approve the noted changes to the NBC's organizational structure. Commissioner McCauley seconded the motion, and the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

D. Review and Approval of Resolution 2004:24, Authorization to Approve the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2004

Ms. Giebink stated that Tammy Novo and Paul Frechette from Batchelor, Frechette, McCrory, Michael & Co., are here today. She noted that they performed the audit for Fiscal Year 2004 and that they would be giving a brief presentation on the audit.

Ms. Tammy Novo thanked NBC staff for their help in preparing the audit. She highlighted the following items:

- Page 7, Certificate of Achievement for Excellence in Financial Reporting, which was received the NBC for last year's financial report. This is a very prestigious report awarded by the GFOA and not many component units in the State of Rhode Island actually receive this award.
- Page 10, Independent Auditors' Report. The significance of this report is that NBC has received a clean opinion. There are no findings that need to be reported on behalf of the NBC. Also, there is no management letter, which typically would document whether we found any problems or issues with the internal controls of the NBC.
- Page 12, Management's Discussion and Analysis. This document is written by NBC Management and it highlights important financial aspects that have occurred through the year. She noted that the Operating Revenues increased \$5.8 Million over the last year, which is a 13% increase, and Operating Expenses increased by only \$1.6 Million, which is only a 5.5% increase. Therefore, there was definitely very tight control over spending.
- Page 13, Summary Balance Sheet Comparing 2004 to 2003. She noted that Line 2 shows the Restricted Assets. NBC's Restricted Assets consists of \$34,000 in restricted for future environmental enforcement activities. Approximately \$16 Million is restricted for future debt service and debt service coverage in accordance with the RI Public Utilities Commission and the Trust Indenture. The last approximately \$34 Million is restricted for future acquisition and construction of NBC's capital assets.
- Page 15, Operating Revenue Graph, which is a breakdown depicting NBC's various sources of revenue. It also breaks down NBC's user fees according to residential, industrial and commercial revenues.
- Page 29 shows NBC's debt for pool loans. The only addition is for Pool Loan #7, which was taken out this year.
- Page 33, shows the \$70 Million borrowing for Variable Rate Revenue Bonds.
- Page 40, Schedule of Expenses, Budget and Actual. There was only one account that was over budget, which was electricity.

- Overall, for the year, NBC ended with a favorable variance of \$1.3 Million, which shows NBC was under-budget for the year.
- Page 44, New Statements Required as a Result of the Trust Indenture.
- Page 48, Shows the activity taken place prior to the Trust Indenture.

Ms. Novo referred to Page 68 of the Audit noting that she found no instances of non-compliance with any rules or regulations of the State, and it was also noted that no matters involving weaknesses in internal controls. She stated that the NBC has very strong internal controls from what they have seen, documented and tested. Referring to Page 72, Report on Schedule of Travel and Entertainment, she noted no instances of non-compliance with State laws regarding travel and entertainment expenses.

Commissioner Oster stated that he thinks the audit is a very good report and gave credit to the Chairman and the Finance Division for their hard work. He noted that he has seen many businesses run, but it is rare to see things run as smoothly as the Chairman and Executive Director have the ability to do here.

Once a quorum was present, Commissioner Kijak motioned to approve Resolution 2004:24, Authorization to Approve the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2004. Commissioner Oster seconded the motion, and the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

E. Review and Approval of Resolution 2004:25, Authority to Borrow an Amount not to Exceed \$40,000,000 and Issue an Amount Not to Exceed \$40,000,000 in Revenue Bonds (State Revolving Pool Loan 8)

Ms. Giebink stated that included in all Committee members' packets is a copy of a memo to the Finance Committee and Board of Commissioners dated September 16, 2004 regarding Resolution 2004:25. Approval of this Resolution would give the NBC the authority to borrow an amount not to exceed \$40,000,000 and issue an amount not to exceed \$40,000,000 in Revenue Bonds, State Revolving Fund Pool Loan 8. The proceeds of the SRF loan will be used to fund all or a portion of the following projects that have been identified in the NBC's five year Capital Improvement Plan:

Project/Contract	Total
302 Phase I CSO Facilities	32,734,352
302.21 CSO Flow and Water Quality Monitoring	93,400
807.00C BPWWTF CSO Facilities and Other Improvements	5,032,248
302.22 Stormwater Attenuation Pilot Study – Construction	65,000
302.23 Floatables Control Facilities	1,198,000
109.01 FPWWTF – Nitrogen Removal Facilities	365,000
103.00D Short-Term Solids Handling Improvements – Design	12,000
<i>Cost of Issuance</i>	<u>500,000</u>
TOTAL	<u>\$40,000,000</u>

Ms. Giebink noted that it is anticipated that the loan will be made at a “blended rate” consisting of 50% at zero percent and 50% at the traditional subsidized rate. In order to meet the debt service coverage requirements, the NBC must seek rate relief from the Public Utilities Commission. The filing for rate relief is addresses as a separate agenda item.

After some discussion, Commission McCauley motioned to approve Resolution 2004:25, Authority to Borrow an Amount Not to Exceed \$40,000,000 and Issue an Amount Not to Exceed \$40,000,000 in

Revenue Bonds (State Revolving Fund Pool Loan 8). Commissioner Kijak seconded the motion, and the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

F. Review and Approval of Resolution 2004:26, Authorization for Restructuring and Amendment of the Narragansett Bay Commission's Clean Water Revenue Bonds, 2001 Series

Ms. Giebink stated that the purpose of this agenda item is to request Board approval of Resolution 2004:26 for the NBC to restructure and amend the NBC's Clean Water Revenue Bond, Series 2001. The NBC was approached by the RI Clean Water Finance Agency to consider such an option. NBC staff worked with our financial advisor to structure the payments on the proposed Pool Loan 8, which was presented to the Finance Committee earlier, such that the principal and interest on that particular loan could be wrapped around a proposed restructured debt schedule for the \$57 Million Issue. As a result of this wrapping, the annual payments would not increase and the NBC would realize a savings of approximately \$1 Million over the life of the loan. She noted that this will result in increased capacity for the RI Clean Water Finance Agency for their zero interest loan program, which the NBC will benefit from.

With no discussion, Commissioner McCauley motioned to approve Resolution 2004:26, Authorization for Restructuring and Amendment of the Narragansett Bay Commission's Clean Water Revenue Bonds, 2001 Series. Commissioner Kijak seconded the motion, and the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

G. Review and Approval of Resolution 2004:27, Authorization to File a Compliance Filing for Rate Relief Related to Debt Service with the Rhode Island Public Utilities Commission

Ms. Giebink stated that the NBC filed a general rate case with the PUC in November 2003 that included two options for financing our capital program. One of the options open market bonds and the other option was tax-exempt commercial paper/variable rate demand obligation program. The VRDO program was ultimately selected by the PUC, but required multi-year rate approval. The PUC accepted that approach and included in their Report and Order a mechanism for providing the programmed rate relief through a compliance filing, and that is what is presented to the Finance Committee and Board today. She noted that approval of Resolution 2004:27 would authorize the NBC file such a compliance filing. The effective date of the new tariffs would be July 2005, and it would be designed to generate revenues that will support our borrowings through fiscal year 2006. When we originally prepared this document, we were anticipating that the resulting rate increase would be not more than 15%. Since then, we have had the opportunity to refine our figures, and it appears that the rate increase would be somewhere in the range of 12% over the rates that were recently approved to be effective on September 30, 2004.

Commissioner Salvatore motioned to approve Resolution 2004:27, Authorization to File a Compliance Filing for Rate Relief Related to Debt Service with the Rhode Island Public Utilities Commission. Commissioner McCauley seconded the motion, and the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

H. Review and Approval of Resolution 2004:28, Recommendation for Use of Environmental Enforcement Funds

Mr. Pinault stated that NBC received a request from Battalion Chief James Devine of the City of East Providence Fire Department for assistance in funding hazardous material response training for their Department. The NBC's Bucklin Point Wastewater Treatment Facility is located in East Providence, and we are one of the facilities within City that has hazardous material on-site in the form of chemicals. Mr. Pinault noted that the EPFD received a grant for approximately \$187,000, and they have to match that with local funds; therefore, they have requested that every facility involved in their hazardous material response training to participate. NBC has money in our Environmental Enforcement Fund, which can be used for education, training, emergency response, etc. Therefore, it is staff's recommendation to approve Resolution 2004:28 which will take \$1,000 from this fund to help the City of East Providence secure their grant so that they can respond to any emergencies at our facility.

With no comments or questions, Commissioner Kijak motioned to approve Resolution 2004:28, Recommendation for Use of Environmental Enforcement Funds. Commissioner Salvatore seconded the motion, and the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

4. Other Business

None.

5. Adjournment

Chairman Mesolella motioned to adjourn. Commissioner Salvatore seconded the motion and the meeting adjourned at 10:50 a.m.

Respectfully submitted,



Paul Pinault, Secretary