



**OFFICIAL MINUTES OF:**

Meeting of:	Finance Committee
Date:	April 6, 2005
Time:	10:15 AM

**MEMBERS PRESENT**

Vincent Mesoella  
Paul Pinault, Executive Director  
Robert Andrade, Finance Chair  
Joseph Kimball  
R. David Cruise  
Laurie Montanaro  
Michael DiChiro

**MEMBERS ABSENT**

Richard Oster

**STAFF AND GUESTS PRESENT**

Karen Giebink, NBC  
Ray Marshall, NBC  
Cecille Antonelli, NBC  
Tom Brueckner, NBC  
Paul Nordstrom, NBC  
Jamie Samons, NBC

Jean-Marie Grossi, NBC  
Rich Bernier, NBC  
Leah Foster, NBC  
Laurie Horridge, NBC  
Jillian Colby, NBC  
Dan Waugh, TL

**1. Call to Order**

Recognizing a quorum, Finance Chair Andrade called the April 6, 2005, Finance Committee meeting to order at 10:28 a.m.

**2. Approval of Minutes – March 9, 2005**

Finance Chair Andrade asked the members of the Finance Committee if they had a chance to review the minutes of the March 9, 2005 Finance Committee Meeting. Commissioner Montanaro motioned to approve the minutes of the March 9, 2005 Finance Committee Meeting as written. Commissioner Kimball seconded the motion and the vote taken by the 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 February, 2005 Financial Report are included in all Committee members' packets. With respect to Budget versus Actual, we are approximately 66.6% of the way through the fiscal year and we are spending at a level of 56.4%, which is well below budget. On Page Two, Item 3 Cash and Investments total \$53.9 Million. Also attached are the Statement of Revenues, Expenses and Changes in Net Assets, as well as the Statement of Net Assets. Also included is a Detailed Budget versus Actual Statement.

#### B. *Consideration of Purchase Requisitions*

None.

#### C. *Consideration of Personnel Actions*

Mr. Pinault stated that there are two proposed personnel action items that were approved by the Personnel Committee meeting this morning. The first item is included in a memo from Tom Uva dated March 25, 2005 regarding the Pretreatment Section. He noted that there has been a steady decline in the number of manufacturing facilities across the country and in the NBC's service area. Therefore, it is proposed that we freeze the recently vacant position of Pretreatment Engineer, #PT006, pay grade 8. At the same time, staff has also seen a significant increase in the number of commercial facilities locating within our service district. These businesses must be permitted and routinely inspected to ensure that toxic and nuisance pollutants are not discharged into our collection system. Therefore, staff proposes to freeze a vacant Pretreatment Engineer position, and to unfreeze the vacant Pretreatment Technician position, #PT013, pay grade 6. The salary range for this position is \$31,298 to \$46,948 annually. By freezing the vacant Pretreatment Engineer position and unfreezing and filling the Pretreatment Technician position, the Pretreatment Section will still be able to inspect the many commercial facilities located in our service area, and the NBC will realize an annual budgetary savings of \$7,031 to \$10,546 annually. Funds are available in the FY05 budget to fill this position.

Mr. Pinault stated that the second item is included in a memo from Paul Nordstrom dated February 22, 2005 regarding a reorganization of the Interceptor Maintenance (IM) Section. He noted that since July, we have temporarily assigned one of the Bucklin Point WWTF mechanics to the Interceptor Maintenance Section to cover for a vacancy in the IM Section. The original plan was for the mechanic to stay on long enough to train the other operators in basic mechanical knowledge of our pump stations and septage station. Staff has since found out that having a mechanic assigned to the IM Section improves the operation of both the IM Section and the Bucklin Point WWTF. The mechanic is able to handle most mechanical problems, including preventative maintenance, without interfering with the work flow at the Bucklin Point facility. Therefore, staff proposes to abolish the vacant IM Operator II position, #IM018, pay grade 15G, and create a new position entitled, IM Mechanic, pay grade 18G. This change should have no impact on the budget as we have elected to keep several budgeted IM positions vacant this year.

With no comments, Commissioner Montanaro motioned to approve the NBC's proposed organizational changes as outlined by staff. Commissioner Kimball seconded the motion, and the vote taken by the Finance Committee was unanimous. The motion carries.

#### 4. Other Business

##### A. Review of Draft FY06 Budget

Francie Brown, NBC's Financial Analyst, gave a presentation on the Draft FY06 Budget. Below is an overview of the presentation.

- Funding Overview
  - FY2005 Budgeted Revenues prepared assuming rate increase of 7.69%
  - Actual revenue increase received was 5.6%, effective October 1, 2004
  - Anticipated non-restricted revenue is \$436K less than budgeted
- FY 2005 Revenue Status
  - Budgeted Revenues anticipated to exceed actual expenditures in FY2005 by approximately \$2M
  - With the exception of Septage income, approved revenues remain on target. Reduced Septage revenues to be addressed through Tariff Advice with the PUC
  - Predict significant Operations and Maintenance carry-forward from FY2005
- FY 2005 Budget Status – Year-to-Date/March
- Major Drivers of Under-run

##### Personnel Costs

- Budgeted 261.375 positions – current status is 242 positions filled, due to personnel fluctuations at Field's Point, Bucklin Point, and Interceptor Maintenance. Salaries and related benefits 6% under budget.

##### Operating Expense:

- Bucklin Point Sludge 28% below budget due to efficiencies gained from Bucklin Point Improvements project (\$346K)
  - Bucklin Point electricity usage 30% below budget due to plant equipment coming on-line later than projected (\$446K)
  - Field's Point Solids Handling repairs at 36% of budget (\$106K)
  - Insurance 8% below budget due to lower actual renewals
  - Chemicals under-running due to Bucklin Point late-startup and less needed at Field's Point (\$78K)
- FY 2005 Budget Status – Major Drivers
  - FY 2005 Operating Budget Projects and Carry-forward
    - Personnel costs projected to under-run by \$1.2M, assuming 243 FTEs through remainder of year
    - Operating Expense Under-run
      - Bucklin Point projected to under-run by \$738K due to efficiencies and delayed startup
      - All other operating expenses projected to over-run by \$294K (based on historical average)
    - Assuming anticipated revenue noted above, the projected carry-forward to FY 2006 is anticipated to range from \$1.0 to \$1.6 Million
  - Historical Position Summary

- FY 2006 Operating Budget Pass I – Significant Changes and Unknowns

Personnel Costs:

- 47% Union pension rate increase (approximately \$244K)
- Health insurance initial renewal projections are 10% over current year expense

Operating Costs and Professional Services:

- Bucklin Point Management Contract – Year-to-Year increase of \$400-\$600K
  - Actual operations costs of new Bucklin Point facilities not fully known
- Workers’ Compensation insurance projected to increase
- Electricity supply rates may increase and usage will increase in FY 2006 – contract out to bid
- Sludge disposal at Field’s Point – Year-to-Year net increase of \$788,000 due to 7 months outsourcing
- Sludge disposal at Bucklin Point decreasing due to operation efficiencies of new facilities

- FY 2006 Operating Budget Pass I – Current Status

○ O&M Projected Revenue (Based on rates approved 11/1/04)	\$28,037,757
O&M Projected Expense Pass I	<u>\$30,696,638</u>
<i>Shortfall</i>	<i>(\$2,658,881)</i>

- FY 2006 Budget Process and Format Changes

- Received GFOA Award for FY2005 Operating Budget
- Further improvements and revisions will be made in the FY2006 document
- Fully integrated Strategic Plan into Budget Process and document
  - Strategic Plan Goals used to establish annual operating objectives
  - Division Summary Objectives and Measures tied directly to Strategic Plan goals
  - Incorporated description of Strategic Plan process into document

With few comments and questions by the Finance Committee, this concluded Francie Brown’s presentation regarding the NBC’s FY 2006 Operating Budget Pass I.

*B. Review and Approval of Resolution 2005:04, Authorization to Award Contract for Banking Services*

Mr. Pinault stated that the Resolution 2005:04 authorizes an Award Contract for the Provision of Banking Services. He noted that the NBC issued an RFQ/P for the Banking Services in February 2005 with submittals due on March 18, 2005. Submittals were received from Sovereign Bank, Citizens Bank of Rhode Island and Bank Rhode Island. A review team reviewed and rated the submittals using the criteria set forth in the RFQ/P. Each member of the review team rated the Citizens Bank proposal the highest. The submittals of both Citizens Bank and Sovereign Bank were well prepared and demonstrated that they had the qualifications and abilities to perform the requested services. Sovereign Bank’s pricing, however, was considerable higher than that of Citizens Bank and reflected numerous additional fees. A comparison of “sample account analysis” that each submitter was required to provide revealed that Sovereign’s cost proposal was more than three times that of Citizens Bank. Therefore, it is staff’s recommendation that the Finance Committee and Board approve Resolution 2005:04, Authorization to Award Contract for the Provision of Banking Services.

With no comments or questions, Commissioner DiChiro motioned to approve Resolution 2005:04, Authorization to Award Contract for the Provision of Banking Services. Commissioner Montanaro seconded the motion, and the vote taken by the Finance Committee was unanimous. The motion carries.

C. *Review and Approval of Resolution 2005:05, Authorization to Issue Revenue Obligations in an Amount Not to Exceed \$50,000,000 and Approval to Execute a Third Supplemental Trust Indenture and Other Matters*

Ms. Giebink stated that the proceeds of the issue will be used to pay for cost of issuance, finance the NBC's Capital Improvement Program, and fund an account in the debt service reserve fund, if required. This authorization represents the NBC's second revenue obligation outside of the Rhode Island Clean Water Finance Agency (RICWFA). NBC has updated and reviewed capital cash flows and has received new RICWFA capacity figures. She noted that it is unlikely that the RICWFA will have sufficient capacity to meet NBC's needs in fiscal year 2005. Further, the loan that they are anticipated to make will not close until November or December 2005. In order to meet this funding gap, the NBC has a number of options including the issuance of Bond Anticipation Notes or Open Market Revenue Bonds. Given a number of factors, it appears that it may be in NBC's best interest to issue 30-year revenue bonds. The rationale is as follows:

- The yield curve is relatively flat resulting in attractive long-term rates
- It is unlikely that additional RICWFA funds will be available to take out short-term debt
- A 30-year revenue bond can be "wrapped" around existing debt to maximize borrowing capacity and smooth cash flows

Ms. Giebink continued to note that additional analysis will be undertaken to assess the optimum financing option and amount prior to the issuance of any additional debt. This Resolution will provide the Executive Director and staff the authority to pursue the best option and take advantage of market conditions. Therefore, staff recommends approval of Resolution 2005:05, Authorization to Issue Revenue Obligations in an Amount Not to Exceed \$50,000,000 and Approval to Execute a Third Supplemental Trust Indenture and Other Matters.

With some comments, Commissioner DiChiro motioned to approve Resolution 2005:05, Authorization to Issue Revenue Obligations in an Amount Not to Exceed \$50,000,000 and Approval to Execute a Third Supplemental Trust Indenture and Other Matters. Commissioner Montanaro seconded the motion, and the vote taken by the Finance Committee was unanimous. The motion carries.

## 5. **Adjournment**

Commissioner Montanaro motioned to adjourn. Commissioner DiChiro seconded the motion and the meeting adjourned at 10:55 a.m.

Respectfully submitted,



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Paul Pinault, Secretary