



OFFICIAL MINUTES OF:

Meeting of:	Joint LRP/Finance Committee
Date:	May 11, 2005
Time:	10:00 AM

MEMBERS PRESENT

Vincent Mesoellella
Paul Pinault, Executive Director
Michael Salvatore
Laurie Montanaro
Michael DiChiro
George Redman, CAC

MEMBERS ABSENT

Richard Oster
R. David Cruise
Robert Andrade, Finance Chair
Joseph Kimball

STAFF AND GUESTS PRESENT

Karen Giebink, NBC
Ray Marshall, NBC
Cecille Antonelli, NBC
Jamie Samons, NBC
Joanne Maceroni, NBC

Rich Harrigan, NBC
Rich Bernier, NBC
Leah Foster, NBC
Thomas Uva, NBC
Maureen Gurghigian, FSC

1. Call to Order

Due to the fact that Finance Chair Andrade was absent, Chairman Mesoellella chaired the May 11, 2005 Joint Long Range Planning/Finance Committee meeting. Recognizing a quorum, Chairman Mesoellella called the May 11, 2005, Joint Long Range Planning/Finance Committee meeting to order at 10:37 a.m.

2. Approval of Minutes – April 6, 2005

Mr. Pinault noted two minor corrections to the April 6, 2005 Finance Committee meeting minutes. The first is under Item 4, Other Business, Review of Draft FY06 Budget, it should note that Francie Brown and Karen Giebink gave a presentation, not just Francie. Also, on Page 5, Item C, the paragraph that starts, Ms. Giebink, on the sixth line, it should read NBC's needs for FY2006, not FY2005. Chairman Mesoellella asked the members of the Joint Long Range Planning/Finance Committee if they had a chance to review the minutes of the April 6, 2005 Finance Committee Meeting. Commissioner Montanaro motioned to approve

the minutes of the April 6, 2005 Finance Committee Meeting with the noted corrections. Commissioner DiChiro seconded the motion and the vote taken by the Joint Long Range Planning/Finance Committee was unanimous. The motion carries.

3. Items for Action

A. Review of Monthly Financial Statements

Ms. Karen Giebink stated that a copy of the March, 2005 Financial Report is included in all Committee members' packets. With respect to Budget versus Actual, we are approximately 75% of the way through the fiscal year and we are spending at a level of 66%, which is significantly below budget. With respect to billings, we recently billed \$13.3 Million, so overall we are billing slightly less than expected. The amount outstanding is \$4.85 Million. On Page Two, Item 3 Cash and Investments total \$50.8 Million. The detail of investments is under Item B. On Page 3 with respect to revenue bonds, the \$70 Million VRDO bonds rates are listed and have been increasing over the last month to nearly 3%. With respect to capital funds remaining, they are detailed under Item D. She also noted that we included in this month's report other capital funds that are available, which total \$12.1 Million. On Page Four, she noted the capital payments by month and source. We also continue to expend in the range of \$6 million per month on capital projects. Also attached to the Financial Report 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 the Personnel Committee approved the reallocation of an existing Environmental Monitoring Technician (pay grade 6) to Monitoring Field Supervisor (pay grade 7) within the Environmental Monitoring and Data Analysis Section. This change is subject to the confirmation by the in-house Non-Union Salary Administration Committee, which will be meeting in the near future.

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

4. Other Business

A. Review of Draft FY06 Budget

Ms. Karen Giebink, NBC's Director of Finance & Administration, gave a presentation on the Draft FY06 Budget. Below is an overview of the presentation.

FY 2006 Operating Budget Budget Overview

- FY 2006 Operating Budget Expense Balanced with Revenue
- Total Revenue and Expense is \$65.9 million
- 12.7% Increase over FY 2005

FY 2006 Operating Budget

Revenue

Revenue Available for Operating Budget as of 4/6/05	\$28,037,856
Modifications	<u>212,440</u>
Current Revenue	\$28,250,196
Carry-Forward as of 4/6/05	Ranges from \$1.0 to \$1.6 million
Current Carry-Forward	\$1,691,475

Ms. Giebink noted that it is unusual to program Carry-Forward in to finance the subsequent years budget, but we had programmed into rates as well as our operating budget last year the cost for the Bucklin Point facility coming on-line much earlier than it did. As a result, we have significant savings that we can actually use that cash to fund this year's budget. In addition, we had budgeted approximately 260 employees, however, we are running at about 243 employees. There's no way we could file with the PUC to ask for any sort of rate relief, so it was determined that this is the best way to balance the budget.

FY 2006 Operating Budget
Revenue & Expense

Modifications made since Pass I 4/6/05 to Current

Ms. Francie Brown continued with the Draft FY 2006 Budget Presentation. Below is an overview of her presentation.

FY 2006 Operating Budget
Modifications to Expense

- Pass I 4/6/05 Expense was \$30,696,638
- A number of cuts were made in Personnel Costs to decrease costs:
 - Originally had a Health Insurance Premium increase projected at 10%, however, we have cut that down to 7.5%
 - Reduced Field's Point and Bucklin Point overtime by \$95,000 - \$67,000 of that is at Bucklin Point. They had originally estimated much higher overtime because they thought they would have a lot more training for the new facilities at Bucklin Point.
 - We also had non-union increases of \$142,987
- Cuts made in Operating Expense/Professional Services:
 - We have cut Electricity expense by \$131,929
 - Reduction in Bucklin Point Management Contract (Aquarion) is \$228,875
 - Reduction in Insurance Premiums increase is \$103,339
 - Reduced Hypochlorite expense by \$94,303
 - Plan and Equipment Repairs were decreased \$74,000
 - Discretionary Expense (i.e., Printing & Binding, Travel, Office Supplies, etc.) were decreased by \$20,000
 - Other Miscellaneous decreased by \$33,251

Ms. Brown noted that with the above-noted decreases, the Current Budgeted Expense is now \$29,941,671.

FY 2006 Operating Budget
Budget Overview

Revenues

Operating Revenue	59,955,160
Non-Operating Revenue	<u>5,909,047</u>
<i>Total Revenue</i>	65,864,207

Expenses

O&M Expenses	29,941,671
Pledged Revenue/Net Revenue (Restricted)	35,922,536
Debt Service & Programmed Debt	25,810,768
Direct CIP Funding	1,516,000
Operating Capital Outlays	1,867,572
Restricted Carry-Forward	<u>6,728,196</u>
<i>Total Expense</i>	65,864,207

Historical Revenue Comparison

FY 2005/2006 Comparison by Element of Expense

Major Drivers:

- Net decrease of 8.5 positions
- Debt service us 34.2%
- Biosolids Disposal at Field's Point: Net increase of \$788,000 over FY 2005 (overall outsource option cost-effective for biosolids disposal)
- 47% Increase in union pension rate
- Health Insurance increase of 7.5%
- Bucklin Point Management contract and operational changes
- Increased utility and chemical costs

FY2005/2006 Comparison by Division

- Debt Service in Administration & Finance Division
- Increased sampling and testing in Planning, Policy & Regulation Division
- Increased operations costs offset by reduction in FTEs and other cost reductions

Ms. Brown also reviewed the following items with respect to the Proposed FY 2006 Budget:

Historical Position Summary

Budgeted Benefits Comparison

Outstanding Debt by Fiscal Year

Outstanding Debt by Issue as of 6/30/05

Debt Service Payments Fiscal Year 2006

FY 2006 Operating Capital

FY 2006 Operating Capital Outlays

Five-Year Operating Capital Plan

Summary of Grants – Operating and Capital

Chairman Mesolella stated the Proposed Operating Budget that is being reviewed today is for discussion purposes only. This matter will be presented at the June 15, 2005 Board Meeting for formal adoption. With that, Chairman Mesolella asked the Joint Long Range Planning/Finance Committee if they had any questions regarding the NBC's Proposed FY 2006 Operating Budget. There were no questions or comments on the Draft Proposed FY 2006 Operating Budget, and this concluded the FY 2006 Budget Presentation.

B. Review and Approval of Resolution 2005:12, Recommendation for Use of Environmental Enforcement Funds (EEF)

Chairman Mesolella stated that NBC has received a request from Kathleen Pletcher, Executive Artistic Director of FirstWorks, for assistance in funding the River Procession, which is to be part of the FirstWorksKIDS International Performance Festival. FirstWorks is asking the NBC to contribute \$2,500 as a sponsor of this event.

Commissioner Montanaro motioned to approve Resolution 2005:12, Recommendation for Use of Environmental Enforcement Funds (EEF), and noted that she is involved in this organization and is happy to see that the NBC is helping fund the program. This is an arts and cultural program. This particular event the NBC is requesting support for is a children's program that is going to be held in downtown Providence. This particular program is a bridge between art and its environment.

Chairman Mesolella stated that we learned early on that maintaining a good environment starts at a very young age. We learned that with Captain Conservation, our caped crusader for clean water in the environment. He noted it is very critical to maintain the attention of young children by making education entertaining for them and at the same time educate them in proper conservation.

Mr. Pinault stated for the record that this money is not coming from our Operating Budget. The money is coming from our Environmental Enforcement Fund (EEF) which is funded by fines and penalties that we collect from users/companies that violate their Pretreatment Permits or our Sewer Use Ordinance.

Chairman Mesolella stated that we have a motion from Commissioner Montanaro to approve Resolution 2005:12, Recommendation for Use of Environmental Enforcement Funds. Commissioner DiChiro seconded the motion, and the vote taken by the Joint Long Range Planning/Finance Committee was unanimous. The motion carries.

C. Review and Approval of Resolution 2005:13, Revision of NBC Investment Policy

Ms. Giebink stated that NBC periodically reviews our financial policies, and we also during the course of the year attend various seminars to try to keep up to date in terms of our policies. One of NBC's goal's this year was to review the Investment Policy, in light of the fact that NBC has adopted a number of programs and documents, most notably, the non-union retirement plan and trust indenture document. Therefore, the Investment Policy has been revised to reflect those changes as well as to reflect the fact that we have formalized our internal controls with respect to investments and the modifications are included in all Committee members packets. She noted one typographical error on Page 2, Item g, line 2, the word "of" should be changed to "or."

With no comments or questions, Commissioner Montanaro motioned to approve Resolution 2005:13, Revision of NBC Investment Policy. Commissioner DiChiro seconded the motion, and the vote taken by the Joint Long Range Planning/Finance Committee was unanimous. The motion carries.

D. Review and Approval of Resolution 2005:14, Authorization to Effectuate the Payment of State Obligations

Ms. Giebink stated that we are seeking authorization to effectuate the payment of State obligations. There are approximately seventeen issues outstanding that the State of Rhode Island has issued on behalf of the Narragansett Bay Commission and former Blackstone Valley District Commission. The NBC is obligated to pay a portion of debt service on these obligations. In addition, several of the original issues were refunded by the State. As a result of these refundings, NBC's debt capacity has been adversely impacted. In addition, the administrative work and financial reporting associated with these seventeen issues is cumbersome. In an effort to increase debt capacity in the next few years, simplify financial reporting and eliminate remaining financial ties to the State, it is proposed that funds from the Stabilization Account be escrowed to pay off NBC's share of the remaining State debt. Ms. Giebink stated that our financial advisor Maureen Gurghigian of First Southwest Company is here today to answer any questions.

With no questions or comments, Commissioner Montanaro motioned to approve Resolution 2005:14, Authorization to Effectuate the Payment of State Obligations. Commissioner Salvatore seconded the motion, and the vote taken by the Joint Long Range Planning/Finance Committee was unanimous. The motion carries.

5. Adjournment

Commissioner Montanaro motioned to adjourn. Commissioner Salvatore seconded the motion and the meeting adjourned at 11:05 a.m.

Respectfully submitted,



Paul Pinault, Secretary