

The Narragansett Bay Commission
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Vincent J. Mesoella
Chairman

Paul Pinault, P.E.
Executive Director



OFFICIAL MINUTES OF:

Meeting of:	Finance Committee - REVISED
Date:	October 18, 2006
Time:	10:30 AM

MEMBERS PRESENT

Vincent Mesoella
Robert Andrade, Finance Chair
Paul Pinault, Executive Director
R. David Cruise
Leslie Gray

MEMBERS ABSENT

Richard Oster
Michael DiChiro

STAFF AND GUESTS PRESENT

Karen Giebink, NBC
Ray Marshall, NBC
Paul Nordstrom, NBC
Richard Bernier, NBC
Leah Foster, NBC
Dan Smith, NBC
Sherri Arnold, NBC
Eric Schweizer
Joseph Pratt, LBG
Bruce Campbell, Commissioner
Patrick Caine, Commissioner

Jean-Marie Grossi, NBC
Thomas Uva, NBC
Joanne Maceroni, NBC
Francie Brown, NBC
Jamie Samons, NBC
Cecille Antonelli, NBC
Anamarie Clarkin, NBC
Laurie Cullen
Harold Gadon, CAC
Leo Thompson, Commissioner
Thomas Lazieh, Commissioner

1. Call to Order

Noting that a quorum was present, Finance Chair Andrade called the Finance Committee meeting to order at 10:41.

Approval of Minutes - September 27, 2006 Joint LRP/Finance Committee

Chair Andrade asked all Committee members if they have had a chance to review the minutes of the September 27, 2006 Joint LRP/Finance Committee meeting. Commissioner Cruise motioned to approve the minutes of the September 27, 2006 Joint LRP/Finance Committee meeting as written. Commissioner Gray seconded the motion, and the vote taken by the Finance Committee was unanimous. The motion carries.

2. Items for Action

A. *Review of Monthly Financial Statements*

Ms. Karen Giebink referred to the September 2006 Financial Report. With respect to budget versus actual, she noted that we are approximately 25% of the way through the fiscal year and we are spending 21.9%; therefore, we are spending under budget. She noted that 97% of the budgeted positions are filled. On Page Two, she noted that the user fee billing for July 2006 was \$13.9 Million, and we are in the process of preparing our billing calculation for our October billing this week. She noted that on Page 3, Cash and Investment balances total \$43.4 Million. She noted Outstanding Debt is summarized on Page 4, and Page 5 shows the Capital Funds available balance of \$24.8 Million. She stated that Page 6 Capital Payments by Month and Source and the Cumulative Capital Expenditures Investments are detailed under Item B. She noted that also attached to the August 2006 Financial Report is the Statement of Revenues, Expenses and Changes in Net Assets for the Period Ending September 30, 2006.

B. *Consideration of Purchase Requisitions*

Mr. Pinault stated there are no purchase requisitions that require approval.

C. *Consideration of Personnel Actions*

Mr. Pinault stated that the Personnel Committee met this morning just prior to the Finance Committee meeting, and they reviewed and approved the following organizational changes.

Mr. Pinault stated that the first matter is outlined in a memo from Paul Nordstrom to the Personnel and Finance Committees dated October 10. He noted that our Control System Administrator, who originally oversaw the Field's Point Supervisory Control and Data Acquisition System (SCADA) has taken on more responsibility with the inclusion of a SCADA system at the newly upgraded Bucklin Point Wastewater Treatment Facility. Mr. Pinault noted that the Bucklin Point SCADA system employs a different type of control system, which required additional schooling and troubleshooting skills. In addition, more of this employee's time is being spent developing programs to interface with other Sections needs (LIMS system, remote pump station monitoring, tunnel pump station tie-ins, etc.). He noted that the increase in duties and responsibilities resulted in a re-evaluation of the job specification and pay grade. The re-evaluation of the position proposes this position be upgraded from a pay grade 10 to a pay grade 11. The NBC's Non-Union Position Review Committee has reviewed this change and concurs with staff's recommendation.

Mr. Pinault stated that the next item for consideration is outlined in a memo from Thomas Uva, Manager of Policy, Planning & Regulation, to the Personnel and Finance Committees dated October 10. He noted that the first change recommended is in the Laboratory Section to upgrade the existing position of Laboratory Supervisor, pay grade 6, and change the title of the position to Environmental Chemist, pay grade 7. He noted that due to changes in NBC's RIPDES permits issued by the RIDEM regarding nitrogen removal, the NBC has been required to routinely perform extensive analyses for nutrients. As more sample results are being required with a fast turn-around time, the plant nutrient station is now on-line five days per week. This has resulted in an increase of troubleshooting, replacing of parts, and method development to evaluate matrix problems. The Laboratory Supervisor's duties have evolved, and this position is now exclusively working on nutrient analyses, which are more in-line with the duties of an Environmental Chemist position. Therefore, it is proposed that the Laboratory Supervisor position be reallocated to Environmental Chemist within the Laboratory Section.

Mr. Pinault reported that the second PP&R organization change is in the Pretreatment Section. In fiscal year 2005, the Personnel Committee froze a vacant Pretreatment Clerk position due to budgetary constraint. He noted that the clerical work in the Pretreatment office has since increased, and NBC has had to employ the services of a temporary employee to keep current with the existing workload. As a result, he

noted that Director Tom Uva proposes to freeze a vacant Pretreatment Engineer position, pay grade 8 in the non-union system, and reallocate the funds to fill the vacant Pretreatment clerk position, pay grade D-13 in Council 94.

Mr. Pinault stated that the third and last PP&R proposed organizational change is in the Environmental Monitoring and Data Analysis Section. Over the past few years, regulatory requirements have become increasingly stringent, and NBC has been required by the RIDEM to perform more extensive monitoring. He noted that in order to meet the ever increasing regulatory demand, our Environmental Scientists have been required to perform more complex data analyses and detailed report preparation with critical time constraints. The Scientists also have the added responsibility to prepare the monthly RIPDES discharge monitoring reports for our two wastewater treatment facilities. The job description of the Environmental Scientist position has been updated to reflect the additional duties for this position. Also, this position has been reviewed and re-graded by the NBC's Non-Union Salary Review Committee. He stated that the Committee recommended a reallocation for said position from pay grade 7 to pay grade 9. He further noted that the changes outlined in this memo will have no effect on the overall PP&R Division fiscal year 2007 budget.

Mr. Pinault reported that the next item is outlined in a memo from Karen Giebink, Director of Administration & Finance, regarding proposed changes in the Human Resources Section. He noted that the job specification for the Senior Human Resources Representative position has been revised to reflect the position's supervisory functions. In addition, the position's responsibility for managing certain functions such as Workers' Compensation has grown to be increasingly complex with significant risk exposure. Along with the increased management responsibility, the duties of this position have expanded to include assisting in the administration of NBC's comprehensive employee benefits programs and non-union retirement plans, as well as researching and developing procedures in order to comply with changing Federal and State laws and regulation related to human resources. He noted that based on the revised job specification, the NBC's Non-Union Salary Review Committee has reviewed and approved a change in pay grade from a pay grade 7 to pay grade 9 to reflect the additional duties. There are sufficient funds in the fiscal year 2007 budget to support this action.

Mr. Pinault stated the last item for consideration is outlined in a memo from Karen Giebink dated October 6 regarding proposed modifications in the Information Technology Section. He noted that NBC's Information Technology (IT) Manager has reassessed the staffing of the IT Section in an effort to ensure that NBC has the proper staff in-place required to support NBC's IT environment. NBC is now using new hardware and will be moving to a new operating system. In addition, NBC is supporting more sophisticated applications and has developed new application in-house that require advanced state-of-the-art development skills to support. He noted that as a result of the IT Manager's assessment, the following actions are proposed:

1. Re-activate a Systems Design Programmer position (pay grade 8). In order to fund this position, the PC Support Specialist position (pay grade 6), soon to become vacant due to a promotion from within, will be put in an unfunded status. There will be no increase in budgeted and/or funded positions in the IT Section as a result of this action.
2. Reallocate one Senior System Design Programmer position (pay grade 9) to a Principal Systems Design Programmer position (pay grade 10). The job specification and pay grade of the Principal Systems Design Programmer has been reviewed and approved by the NBC's Non-Union Salary Review Committee.
3. Change the title of the Senior Systems Design Programmer to a Senior Systems Programmer/Systems Administrator.

Mr. Pinault stated that there are sufficient funds in the fiscal year 2007 budget to support these changes.

With no comments or questions, Commissioner Cruise motioned to approve the proposed changes to NBC's organizational plan. Commissioner Gray seconded the motion, and the vote taken by the Finance Committee was unanimous. The motion carries.

4. Other Business:

A. *Review and Approval of Resolution 2006:34, Authorization to File for General Rate Relief with the Rhode Island Public Utilities Commission (PUC)*

Ms. Karen Giebink referred to a memo to the Finance Committee and Board dated October 6, 2006 regarding the authorization to file for general rate relief with the PUC. She stated that as a result of an Abbreviated Rate Filing, the NBC received a 4.06% increase in its revenue requirement effective July 1, 2006 to address the increases related to Operations and Maintenance (O&M) expenditures. These O&M costs consisted primarily of the increased costs for biosolids disposal, utilities and healthcare. At the time of that filing, no increases were requested for salaries and wages. She noted that since that time, NBC has applied for a 9.99% increase in sewer use fees for rate relief required for debt service and debt service coverage only.

Ms. Giebink stated that the purpose of this memo is to request approval to request rate relief needed to address CPI-indexed contract increases for biosolids disposal and the Bucklin Point Management Services, and new pass-through electricity charges, chemicals and insurance. In addition, she noted increases are needed for salaries and wages, as well as union retirement and healthcare. NBC staff is also reviewing the funding of the reserve fund requirements set forth in the Trust Indenture. In addition to the expenses, it appears that NBC's rate base is overstated and needs to be adjusted. Based upon a preliminary assessment, it is estimated that the resulting rate increase will not exceed 15% of the revenue requirement currently pending before the PUC.

Ms. Giebink noted that because the PUC review and approval process lasts seven months, the NBC must prepare and submit its filing no later than December 1, 2006 to ensure rate relief for FY2008. Resolution 2006:34 authorizes the NBC to file with the PUC for rate relief in an amount not to exceed 15% of the pending revenue requirement of \$65,295,022 for O&M costs with an effective date of July 1, 2007.

After some discussion, Commissioner Cruise motioned to approve Resolution 2006:34, Authorization to File for General Rate Relief with the Rhode Island Public Utilities Commission (PUC). Commissioner Gray seconded the motion, and the vote taken by the Finance Committee was unanimous. The motion carries.

B. *Review and Approval of Resolution 2006:35, Authority to Issue Revenue Bonds and Notes in an Amount Not to Exceed \$50,000,000 to Finance Narragansett Bay Commission (NBC) Improvements*

Ms. Giebink referred to a memo dated October 6, 2006 to the Finance Committee and Board. She stated that the purpose of this memo is to request approval for the authority to borrow an amount not to exceed \$50,000,000 in Revenue Bonds and Notes for the purpose of financing the NBC's Capital Improvement Program (CIP). This Resolution supersedes Resolution 2006:32, which authorized an amount not to exceed \$30,000,000 and was approved by the Board at its September 27, 2006 Board meeting.

Ms. Giebink noted that since the September 2006 Board meeting, the NBC in conjunction with its Financial Advisor have had the opportunity to fine-tune cash flows and evaluate funding options. She noted that given the current favorable market conditions, our borrowing plans include the issuance of approximately \$42.5 Million this year, which will accommodate NBC's open market needs for the next two years. Issuance of the total amount of open market revenue bonds needed for fiscal year 2007 and 2008 will enable NBC to take advantage of economies of scale and a favorable interest rate environment. Based upon current market conditions, an issue such as this for NBC may see pricing of a ~~20-year~~ 30-year revenue bond in the range of

4.75% to 5.00%. She noted that in addition, NBC would realize savings associated with the cost of issuance, since it would only incur costs for one issue instead of two.

Ms. Giebink stated that on October 4, 2006, the NBC requested the rate relief required to support this issuance under the compliance criteria set forth in the 'report and Order from Docket 3438. Accordingly, staff is requesting the approval of Resolution 2006:35 for the authority to issue revenue bonds, and/or in anticipation of the issuance of such revenue bonds, revenue notes in an amount not to exceed \$50,000,000.

After some discussion, Commissioner Cruise motioned to approve Resolution 2006:35, Authority to Issue Revenue Bonds and Notes in an Amount Not to Exceed \$50,000,000 to Finance Narragansett Bay Commission (NBC) Improvements. Commissioner Gray seconded the motion, and the vote taken by the Finance Committee was unanimous. The motion carries.

5. Adjournment

Commissioner Cruise motioned to adjourn. Chairman Mesolella seconded the motion and the Finance Committee meeting adjourned at 10:59 a.m.

Respectfully submitted,



Paul Pinault, Secretary