



OFFICIAL MINUTES OF:

Meeting of:	Finance Committee
Date:	May 3, 2007
Time:	12:00 Noon

MEMBERS PRESENT

Raymond Marshall, Executive Director
Michael Salvadore
John MacQueen
Leslie Gray, III
Michael DiChiro

MEMBERS ABSENT

Robert Andrade, Finance Chair
R. David Cruise
Joseph Kimball

STAFF AND GUESTS PRESENT

Karen Giebink, NBC
Francie Brown, NBC
Leah Foster, NBC
Anamaria Clarkin, NBC

Jean-Marie Grossi, NBC
Thomas Uva, NBC
Sherri Arnold, NBC
George Redman, NBC Citizens Advisory Committee

1. Call to Order

Noting that a quorum was not present, Finance Chair Andrade called the April 4, 2007 Joint Long Range Planning/Finance Committee meeting to order at 10:48 a.m.

2. Approval of Minutes - April 4, 2007 Finance Committee

Due to the fact a quorum was not present, approval of the minutes of the April 4, 2007 Finance Committee meeting will be shelved until the next meeting of the Finance Committee.

1. Items for Action

A. *Review of Monthly Financial Statements*

Ms. Karen Giebink referred to the March 2007 Monthly Financial Report. With respect to Budget versus Actual, she noted that we are approximately 75% of the way through the fiscal year and we are spending at 70.1%; therefore, we are spending below budget. She noted that 93% of the budgeted positions are currently filled. On Page Two of the Report, Projected versus Actual Billing, she noted that through the third quarter, the billings look very strong. Ms. Giebink stated that she does have some additional information to share with the Committee with respect to the fourth quarter billing, and we will make that known to the Committee members as part our presentation of the draft FY08 Operating Budget. She noted that the fourth quarter billing was significantly short. She noted that with respect to the Receiving Aging Analysis Summary, the amount outstanding is \$6.7 Million. On Page Three, Cash and Investment balances total \$78.6 Million, and the investments are detailed under Item B below.

Ms. Giebink noted that on Page Four, Outstanding Debt is at \$418 Million. On Page Five, she noted the Capital Funds that are available is at \$72.1 Million. She noted that Page 6 summarizes Capital Payments by Month and Source. Also attached to the March 2007 Financial Report is the Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Net Assets and the Detailed Budget versus Actual.

This concluded Ms. Giebink's report.

B. *Consideration of Purchase Requisitions*

Mr. Marshall stated that there are five purchase requisitions that the Committee has authorized, and we are now reporting to the Committee that these purchases have actually occurred. He referred to the pink sheet included in all Committee members' packets, which we will have to bring to the May 2007 Board and Committee meetings. This requisition has to do with the Asset Management program, and our effort to move forward with more predictive maintenance rather than just preventative maintenance. Mr. Marshall again noted that this item cannot be acted on today due to the fact a quorum is not present, but we will bring this matter to the next Finance Committee meeting for approval.

C. *Consideration of Personnel Actions*

Mr. Marshall stated that there are no personnel actions to report on today.

4. Other Business:

A. *Review of NBC's Proposed Fiscal Year 2008 Operating Budget*

Ms. Giebink introduced NBC's financial staff who worked diligently on the draft FY08 Operating Budget. A copy of a presentation on the Narragansett Bay Commission FY 2008 Draft Operating Budget dated May 3, 2008 was passed out the attendees of the meeting. The following is an outline of the presentation by Ms. Giebink's and Francie Brown presentation of the on-NBC's draft FY08 Operating Budget and the materials included in the handout.

Budget Considerations:

- Regulation by the Public Utilities Commission (PUC)
 - Restricted Funds
 - Rate Relief
- Trust Indenture and Supplemental Indentures

Budget Preparation Process Information

Fiscal Year 2007 Budget Status

- Revenues
- FY2007 Revenues - Budget vs. Actual
- Expenses
- FY2007 O&M – Budget vs. Actual

Preliminary FY2007 Budget Projections

Personnel:

- Number of FTE's by Month – FY2007

Operating Costs:

- FY2007 Electricity Expense

Budget Overview

FY08 Revenue Assumptions:

- Key Guidelines
- Rate Increase History
- Sources of Revenue
- Past Years' Revenues
- FY08 Revenue by Category
- Residential vs. Non-Residential Annual Billings

FY2008 Expense Assumptions:

- Key Long-Term Guidelines
- Strategic Plan Goals
 - Goal 1. Core Business Goal
 - Goal 2. Environmental Performance Goal
 - Goal 3. Financial Management Goal
 - Goal 4. Customer Focus Goal
 - Goal 5 Staffing Goal
 - Goal 6 Communication Goal
 - Goal 7 Organizational Performance Goal

Key Short-Term Guidelines

FY2008 Operating Budget – Significant Changes

- Personnel
- Operating Supplies and Expenses
- Professional Services

Personnel Costs – Percent of FTE's by Division

Historical Position Summary

Historical Number of Positions (FTE) Budgeted by Fiscal Year

Budgeted Benefits Comparison

- Budgeted Personnel Costs

Operating Costs:

- Biosolids Disposal (Field's Point and Bucklin Point)
- Utilities
- Workers Compensation Insurance
- Professional Services
 - Bucklin Point Management Contract
 - Budgeted vs. Actual Soda Ash Usage

Operating Capital

- Budgeted Operating Capital
- Operating Capital by Cost Center

Debt Service

- **Capital Improvement Program**
- **FY2009-2013 by Cost Category**
- **MBC Outstanding Debt**

Draft Balanced Budget

FY2007/2008 Comparison by Division

FY2007/2008 Comparison by Element of Expense

Outstanding Items:

- Pending Rate Filing
- Health Insurance Renewal
- Soda Ash/Biosolids

Ms. Giebink noted that this year NBC ~~did something different by~~ enhanced ~~ing our whole the~~ capital budgeting process. ~~She stated that the Capital Improvement Program (CIP) is scheduled for the NBC's June 2007 Finance Committee and Board Meeting.~~ She noted that over time, NBC has ~~always~~ had a large dollar amount in ~~the our~~ CIP; however, we ~~now~~ have ~~more never had as many~~ projects ~~as we currently have.~~ ~~It was also noted that this has become more and making it~~ more challenging to manage and ~~to make sure that we plan out all of our funding so that we stay consistent and that we do and ensure that we~~ have sufficient funding to meet our capital needs. ~~She further stated that NBC is already moving forward with the design of the Phase II of the CSO facilities, and nutrient removal is on the horizon.~~ It was further noted that the ~~one or two years NBC thought they had with respect to capital funding, has significantly decreased.~~

~~Ms. Giebink stated that Sherri Arnold worked very hard on the CIP's document, along with Francie Brown, and she all worked very hard on the CIP document to develop detailed informational pages, which she thought was a very worthwhile document to read. It was noted that the document is very detailed in terms of schedules and the cost factors that have to be considered. She stated that staff also aligned all the capital projects with the a priority in an effort to identify what is actually mandated versus what are some of the other we need to perform in the long term, but not immediately. She noted that some of the projects are more wish like projects, but, unfortunately, most of these projects ended up being mandatory. She stated that they also aligned all of the projects with the NBC's Strategic Plan, and we have detailed cash flow projections with respect to that. She stated that staff also asked our engineering staff to identify the operating cost impact. Therefore, Ms. Giebink highlighted some of the other changes and stated that NBC has a new and improved CIP, which she feels is an excellent document.~~

With respect to the draft FY 2008 Operating Budget, Ms. Giebink noted that back in March and April 2007, NBC staff worked on the following items: ~~\ preparing reviewing~~ the Operating Budget ~~through comparisons to by comparing~~ prior expenditures, ~~in the~~ FY07 budget ~~cost~~ information, ~~the current to our~~ PUC filing; reviewing year-to-date expenses; ~~and~~ performing the CPIP escalation calculations; ~~receiving~~ chemical bids; developing preliminary revenue projections and ~~finalizing we finalized~~ the CIP document. She

~~noted that Also~~ in May 2007 Finance staff will bring the final proposed FY08 budget to our Executive Director for his final budget recommendations ~~and that~~ ~~—Upon~~ the Executive Director's approval, Finance staff will ~~then~~ finalize the FY08 Operating Budget document.

Ms. Giebink noted that staff is also in the process ~~of~~ projecting ~~the~~ operating surplus, restricted carry-forward and fund balance, and ~~is completing the we will work on our~~ long-term debt model. She noted that ~~staff would we will~~ come back ~~before the Finance Committee and the Board~~ with a balanced budget for ~~the their~~ review and ~~approval by consideration~~. ~~She noted that the CIP will be brought before~~ the Finance Committee and the Board ~~of Commissioners at and Committee members for their review and consideration at~~ the scheduled June 20, 2007 ~~Committee and Board of Commissioners~~ meetings.

Ms. Giebink stated that a question was asked about the current budget. She referred the Committee members to Page Four of the ~~Draft proposed~~ FY08 Operating Budget ~~handout~~. She noted ~~some of the highlights of the FY2007 budget status with respect to revenues~~. It was noted that the FY2007 ~~budgeted~~ ~~revenues were~~ was \$66.3 Million, and ~~the the our~~ current ~~revenue~~ projection for the FY2008 Operating Budget is \$61.1 Million ~~or~~ ~~therefore, we are~~ \$3.21 Million ~~less below our current projections for the amount we had planned on billing~~. She noted that NBC was in great shape with respect to billings up until the fourth quarter. ~~She noted that~~ the fourth quarter billing was significantly lower than ~~staff had~~ projected ~~to the magnitude of approximately \$2 Million~~. ~~In addition, and that~~ NBC had over \$1 Million ~~worth~~ of adjustments ~~primarily related to~~, and 88% of those adjustments were the result of meter readings ~~received from the Providence Water Supply Board~~.

Commissioner Gray asked what the reason was for the reduction in the fourth quarter billing. Ms. Giebink stated that ~~staff reviewed the billing, and one of the factors is the true up of the rate base, which is one of the items we addressed in our last filing to the Public Utilities Commission, and the idea that the consumption units just were not there~~. Therefore, NBC had not updated our rate base for some time, but it is all on the consumption side. ~~She noted that~~ consumption was ~~less down from what we had than~~ estimated ~~and that is addressed in the pending rate filing to be~~ \$40.1 Million, but billed \$38 Million prior to adjustments. She noted that staff also performed a quick analysis to try to compare the most recent FY2007 performance to our filing, and the consumption units are right on. Therefore, she feels we are good on a go forward basis, once the correct units can be approved and incorporated into our tariffs ~~_~~.

~~_____~~ Ms. Giebink further stated that overall, other water utilities have also noticed a drop-off in their consumption. ~~Further discussion took place about the meter replacement programs underway at the various water supply boards~~. ~~She noted that staff met with representatives of the Pawtucket Water Supply Board, and they stated that they are experiencing the same lower consumption levels~~. She noted that one of the biggest issues with the Providence Water Supply Board (PWSB) is that they have been in this meter change-out project since she started working at the NBC seventeen years ago. The PWSB has been working for years to change out the meters with Automated Meter Reading (AMR) devices, and they are still going through that process. Therefore, Ms. Giebink noted that the \$1 Million in adjustments we experienced this past year were mostly due to the true-ups that happen when the PWSB replaces an existing meters with a new meter. The PWSB may not have been in to read that meter due to many factors for several years, and therefore, they end up estimating the usage year after year. Then the PWSB pulls and tests the meter, and the reads hundreds or thousands of actual consumption, and that generates a credit. She noted that the majority of the time, the problem is that they have been over billed by the PWSB for years. Part of the technique in the past also was to over estimate to _____ meter.

~~_____~~ Commissioner DiChiro asked if this matter will result in a PUC rate filing to make up for the \$3 Million gap. Ms. Giebink ~~explained that stated that there is no procedure in place for retro active rate making; however, we do have a the~~ filing before the PUC ~~at the present moment, and one of the issues we had incorporated into that filing was includes a the~~ true-up of the rate base. She noted that normally NBC files pre file testimony, the Division of Public Utilities and Carriers comes back with their rebuttal testimony, and then the NBC files a _____ rebuttal. Ms. Giebink stated that the Division came back halfway, and we felt that half was better than zero. She further noted that based upon the fourth quarter

~~billing being so low, NBC staff is going to meet later today to determine whether or not we will need to file additional testimony to support the whole \$1.6 Million.~~

~~Ms. Giebink further noted that NBC is hoping the PWSB will completely finish their meter change-out program. We have heard that they are very close to finishing the project, and now what they are doing is instead of over estimating, they are actually going in and shutting off water, which seems to get customers attention, and then they are able to get in and put in their AMR devices.~~

~~Ms. Giebink reported that overall, we are short \$3.2 Million, which is a projection that will fine-tune the _____.~~ With respect to FY 2007 Expenses, the good news is that we are under on our Operation and Maintenance (O&M) expenses ~~as well.~~ ~~She noted that this is really just directly referring to the O&M expenses, the unrestricted portion of our revenues, which is approximately half of our total revenues.~~ ~~It was further.~~ ~~She~~ noted that we are under budget on Personnel costs as a result of turnover our projections by approximately \$970,000. She noted that we are also projecting to be under on operating O&M expenses by approximately \$880,000 and professional services by approximately \$110,000. Therefore, she stated that overall we are projecting that we will come in under budget by close to \$2 Million. She noted that what this means to the NBC on an overall basis is shown on Page 6 of the draft FY2008 Operating Budget. ~~If you roll~~ Combining the revenue projections in of \$509.6 Million for Operating Revenues and \$3.5 Million for non-Operating revenues, the total revenues would be \$635.1 Million. Our projected expenditures for O&M are \$29.7 Million, for Debt Service ~~Actual we are projecting is~~ \$23.26 Million, and Operating Capital Outlays are projected at \$2.1 Million. Overall, NBC will still have has a balanced budget, and our restricted carry forward will ~~actually~~ be slightly higher. She noted that this is just the way the flow of funds works and it is projected that NBC will finish FY 2007 with an ~~-. She noted that staff was very concerned when we first looked at these figures; however, only half of that revenue shortfall is actually attributed to O&M. Therefore, she noted that we will have an~~ operating surplus.

After some miscellaneous questions and comments by the Finance Committee, Ms. Giebink answered and reviewed their concerns with the Committee members.

With no further questions or concerns from the Finance Committee, the presentation given by Ms. Giebink on the NBC's Draft FY2008 Operating Budget was concluded.

5. Adjournment

The Finance Committee meeting adjourned at 1:15 PM.

Respectfully submitted,



Raymond J. Marshall, P.E.
Secretary/Executive Director