



**State of Rhode Island and Providence Plantations**  
**Water Resources Board**  
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**FINANCE COMMITTEE**  
**MINUTES**  
**Wednesday, March 25, 2009**

**Members Present:**

William Penn, Committee Chair  
Jesse M. Rodrigues, Jr.  
William Parsons

**Members Absent:**

**Staff Present:**

Kenneth Burke, General Manager  
Kathleen Crawley

**Guests Present:**

**Call to Order and Approval of Minutes**

Chairman Penn called the meeting to order at 11:13AM noting that a quorum was present.

**Motion** by Mr. Parsons, second by Mr. Rodrigues to approve the Finance Committee meeting minutes of February 23, 2009. The vote in favor was unanimous and the motion passed.

**Reports**

**Motion** by Mr. Rodrigues second by Mr. Parsons to accept the February 2009 Chief Business Officer's Report. The vote in favor was unanimous and the motion passed.

Discussion

Mr. Penn reviewed the CBO report noting that the major variance is in contractual services. He noted that part of it would be approved today for the insurance premium and asked for a summary of the rest of the balances. Ms. Crawley stated that some of it is the Big River Ecology Project with USGS. The Board reappropriated some of the project funds to be spent in FY 09 to take advantage of matching funds and recognize the level of effort. She stated that there have not been expenditures on that project yet and that we would be expecting fairly sizeable invoices. Remaining water allocation project expenses including the HAP pilot, the stream gages and the Big River Well Development project explain most of the remaining balance. He also noted the variations in revenues and stated that it is difficult to tell whether the fluctuations in the .01664 surcharge collections are due to reduced water sales or timing of collections. Mr. Penn also noted that only \$16,000 had been spent from the capital improvement fund and questioned whether the rest would be expended by the end of the fiscal year. Ms. Crawley stated that Mr. Mendes was developing a budget to be used in the third quarter budget report and year end projection.

Ms. Crawley submitted additional detail regarding expenses to date and projected expenses to the committee members. She reviewed projected expenses including the costs associated with the PILOT to the Exeter-West Greenwich school district. The anticipated balance of funds remaining at the end of the fiscal year (FY09) is roughly \$100,000. New employees, additional PILOT expenses and the move are included in the projection. Mr. Penn asked if there is an opportunity to spend the funds. Ms. Crawley explained that the balance is primarily due to balances in personnel ("turnover") and that some of the unanticipated increases like the increase in the school PILOT expense require the use of that "turnover" money. Mr. Burke provided detail regarding the moving expenses noting that leasehold improvements are required and that DEM would cover the costs of Correctional Industries for the physical move. He

noted that the owner of the Building was out of the country and that when he returned the estimates and the timeline could be developed. He stated that it is a lean estimate that that we are trying to use all of our existing furniture. Anything that needs to be supplemented will be from Correctional Industries.

Mr. Penn summarized the surcharge and rent revenues.

**Motion** by Mr. Rodrigues second by Mr. Parsons to accept the February 2009 Chief Financial Officer's Report. The vote in favor was unanimous and the motion passed.

Discussion

Mr. Penn reviewed the CFO report. He reviewed the investments, noting that he had asked a question last month about the investment of funds. When we refinanced the bond issue in 2002 with the advice of our Financial Advisor, First Southwest and the underwriter, Fleet Securities we purchased guaranteed investment contracts for \$2.5 Million from MBIA. MBIA's rating was dropped last fall and under the terms of the guaranteed investment contract, MBIA has collateralized the full \$2.5 in US treasuries. Wells Fargo is the Collateral agent. I asked the trustee how they know the collateral is there. Their response was that they get a weekly report from Wells Fargo showing that the treasuries values are there. Recently MBIA was further downgraded and under the terms of the investment contract they can withdraw and return the money. This is not good news because the money is there in the collateral agent and earning an amount substantially higher than could be reinvested in the current market. He stressed that it is important that we stay on top of this. It clearly shows how the tentacles of the capital financial market crisis affect everything.

**Items for Action  
Board**

**Motion** by Mr. Rodrigues second by Mr. Parsons to approve reimbursement to Bristol County Water Authority in the amount of \$9,457.88 for expenses related to a study by Weston and Sampson related to the treatment facility which was requested by the Department of Health. The vote in favor was unanimous and the motion passed.

Discussion

Mr. Mendes had arrived for the Board meeting and was asked to provide information to the committee. He explained that staff initially held the request to determine whether a study, even one that was required was eligible for reimbursement. When we started the current RFQ process to perform a final evaluation of the needs of the entire system, we viewed this request as similar and therefore eligible for reimbursement. Mr. Rodrigues asked if we were required to pay for every study. Mr. Mendes replied that it is a judgment as to whether or not the request fits into the original intent of the funds that were appropriated. This expenditure lessens what is available now for the remaining project expenses.

**Motion** by Mr. Parsons, second by Mr. Rodrigues to approve reimbursement of \$3,750.00 to the Town of Cumberland Water Department for 50% of the costs associated with the Lincoln/Cumberland Emergency Interconnection at Martin Street. The vote in favor was unanimous and the motion passed.

**Exeter/West Greenwich School Pilot – Update**

Ms. Crawley stated that the topic was covered in the discussion of the projected expenditures. She reiterated that there are more children residing in the Big River Management for FY 2009 and FY 2010 than had been projected when the budget was developed that will require expenditures above the budgeted amount. She stated that she has notified the budget office. She has requested a legal opinion from Ms. Partington at the Attorney General's Office regarding the public law, whether the obligation is permanent and whether it applies to any child or original tenants only.

**Moving Expenses and Big River Liability Insurance Policy Renewal**

**Motion** by Mr. Parsons, second by Mr. Rodrigues to approve office moving expenses up to \$20,000 subject to the execution of a lease agreement. The vote in favor was unanimous and the motion passed.

Discussion

Mr. Penn noted that they had explained the reasons and estimated expenses of the move from the fourth floor to the third floor during the discussion of the CBO report. He referenced the memo that Mr. Burke had prepared which details the proposal. He asked Mr. Burke whether the estimate requires some leeway. Mr. Burke replied that it is a rough estimate at this point and that a \$20,000 limit, consistent with the scope provided would be appropriate. He noted that final numbers depend on the return of the landlord. The Committee also questioned the mechanics of a lease and what involvement was required of the State Properties Committee.

**Motion** by Mr. Parsons, second by Mr. Rodrigues to approve payment of \$60,490.00 for the renewal of the Big River Management Area general liability policy with limits of \$1,000,000 per occurrence and \$2,000,000 aggregate. The vote in favor was unanimous and the motion passed.

Discussion

Mr. Penn asked how the expense compares to the budget. Ms. Crawley replied that the budget for insurance is just over \$100,000.00. After all policies are we will should be roughly \$28,000 under budget in this line item for the year.

**Board Corporate**

**Motion** by Mr. Rodrigues second by Mr. Parsons to pay Invoice # 81100 in the amount of \$1,250.00 to the Bank of New York Mellon for the six month Trustee/Custodian Service Fee (the annual fee is \$2,400). The vote in favor was unanimous and the motion passed.

**Motion** by Mr. Parsons, second by Mr. Rodrigues to pay \$735.00 to Partridge, Snow & Hahn for Professional Services rendered through February 28, 2009. The vote in favor was unanimous and the motion passed.

**ITEMS FOR DISCUSSION**

Ms. Crawley stated that she intends to initiate the bid process to secure auditing services for the Board Corporate. She said that staff has worked with accounts and controls to develop a scope of services. Mr. Penn updated the committee on the progress to date on a potential agreement between the Board Corporate and Clean Water Finance for financial management.

**Adjournment**

On a motion by Mr. Rodrigues second by Mr. Parsons and approved unanimously the meeting adjourned at 11:36 am.

Respectfully Submitted,

Kathleen Crawley  
Staff Director