

The Narragansett Bay Commission
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Vincent J. Mesolella
Chairman

Raymond J. Marshall, P.E.
Executive Director



OFFICIAL MINUTES OF:

Meeting of:	CEO Committee Meeting <i>and Open Call For Executive Session Pursuant to RIGL 42-46-5(a)(2) for Item 3.A</i>
Date:	May 21, 2008
Time:	9:00 a.m.

MEMBERS PRESENT:

Vincent J. Mesolella, NBC Chairman
Michael Salvatore, CEO Chair
Robert Andrade
Jonathan Farnum
John MacQueen
Al Montanari
Richard Worrell

MEMBERS ABSENT:

Angelo Rotella, Vice Chairman

STAFF AND GUESTS PRESENT:

Raymond J. Marshall, Executive Director
Karen Giebink, NBC
Laurie Horridge Bissonette, NBC
Tom Uva, NBC
R. Thomas Dunn, LMKBW
John E. Bulman, LMKBW
Sherri Arnold, NBC
Francie Brown, NBC
Joe Pratt, Louis Berger Group
Richard Bernier, NBC
Paul Nordstrom, NBC

Jennifer Harrington, NBC
Deborah Samson, NBC
Joanne Maceroni, NBC
Karen Musumeci, NBC

1. Call to Order

Recognizing a quorum, Chairman Salvatore called the May 21, 2008 Construction/Engineering/Operations (CEO) Committee Meeting to order at 9:15 a.m.

2. Approval of Minutes – April 16, 2008 CEO Committee

Chairman Salvatore asked for a motion to approve the CEO Committee minutes of the April 16, 2008 CEO Committee meeting as written. Commissioner Farnum moved to approve the minutes of the April 16, 2008 CEO Committee as written. Commissioners Montanari, MacQueen and Worrell seconded the motion. The vote taken by the CEO Committee was unanimous. The motion carries.

3. Items for Action

A. Review and Approval of Resolution 2008:15, Settlement Agreement Walsh Construction Company vs. Narragansett Bay Commission

At this time, the NBC Board sought to convene Executive Session pursuant to R.I.G.L. 42-46-5 (2)(a) to discuss Item 3A. Chairman Mesoella motioned to enter into Executive Session. Commissioner Montanari seconded the motion, and the vote taken by the CEO Committee was unanimous. The Board entered into Executive Session at 9:18 a.m.

Executive Session ended and the Open Meeting resumed at 9:43 a.m. After some discussion, Commissioner Andrade motioned to approve Resolution 2008:15, Settlement Agreement Walsh Construction Company vs. Narragansett Bay Commission, Commissioner Montanari seconded the motion and the vote taken by the CEO Committee was unanimous. The motion carries. Commissioner Salvatore motioned to keep the Executive Session minutes sealed. Commissioner MacQueen seconded the motion, and the vote taken by the CEO Committee was unanimous. The motion carries.

B. Review and Approval of Resolution 2008:16, Fiscal Year 2010-2014 Capital Improvement Program

Karen Giebink introduced Sherri Arnold, budget analyst for NBC who would present the Fiscal Year 2010-2014 Capital Improvement Program.

Sherri directed the Commissioners attention to a Power Point presentation she stated that this year's CIP identifies 38 projects either in progress, to be initiated or scheduled for completion. There are 34 million dollars scheduled for fiscal year 2009, 356 million of the five year window of 2010 through 2014 and the total six year window is 389 million. These expenditures are necessary to comply with current or future regulations, take advantage of technology and maintain the integrity of our infrastructure. She stated that the CIP is a planning document. Costs and cash flows are based on engineering estimates as well as bid amounts. Construction currently underway includes a 10 percent contingency and future construction at a 12 percent contingency. Project cost estimates include a 7 percent allowance for salary and fringe and financing costs are included in the debt service in the operating budget.

Ms. Arnold noted that the CIP develops over a period of 3 months, documents the scope of each project, the basis of the cost estimate, explains modifications from prior year CIP and a overall project timeline. Francie Brown passed out to the Commissioners an example of the documentation that project managers must complete for their project. The managers explain their project priorities, how the project fits into the strategic plan, any changes from prior year CIP,

shifts in schedule, type of project, phases and need for a certificate of approval for SRF funding. They must also identify key factors that impact schedule and costs.

Commissioner Farnum and Worrell had questions regarding the 7 percent allowance for salary and fringe.

Ms. Giebink stated that the 7 percent is an estimate of the cost of salary and benefits for the total contract.

Ms. Arnold stated that once the project managers complete their workbooks and they are reviewed and finalized with the Finance Department. They are then brought to the CIP Committee, for review of the proposed projects. The Finance Department also does a comparison of the costs for major and detailed changes from the prior year and together with the Committee an assessment of project schedules, staffing resources and the criticality for project ranking is done.

Commissioner Andrade asked who is on the CIP Committee.

Ms. Arnold stated that the Directors and the Finance Department comprise the CIP Committee.

Ms. Arnold noted that part of the review by Finance included analysis of cash flow projections, comparison of costs and funding by fiscal year, alignment of projected cash flows with the qualifying funding source and updates on the Long Term Financing Model. She stated that the Strategic Plan is integrated into the CIP and Capital Projects are aligned with the specific goals they will address and projects are prioritized based on their criticality. Of the 38 projects in the CIP, 31 percent are related to the CMOM which is the Collections Management Operations Management goal and 18 percent are related to the RIPDES and technology. Noted was that Capital Projects are also prioritized, 26 Capital Projects are prioritized with an A, mandated or currently under construction, 11 percent are prioritized with a B, imperative to ongoing operations, and 3 percent are prioritized with a C, important however not critical to the ongoing operations for NBC.

Ms. Arnold stated CIP costs by functional area are 48 percent for the CSO program. Of the 48 percent \$ 164 million is for Phase II and \$ 5 million is for Phase I which will be wrapping up fiscal year 2009, \$ 138 million for waste water treatment improvement of which \$ 119 million is associated with the nitrogen treatment removal at Bucklin Point and Field's Point and 4 percent is for interceptor repair and construction. Ms. Arnold reviewed with the Commissioners a graph which showed expenditures by major projects and stated that the CSO Phase II facilities significant costs will be in 2012-2014 and for Bucklin Point and Field's Point nitrogen removal those significant costs are from 2010 through 2014. Also noted was the five year window for the CIP by phases, planning, design, maintenance and construction. The mandated expenditures indicate that of all the projects the nitrogen removal and CSO primarily make up the expense. Capital Expenditures vs. Debt Service reflects the CIP costs over the next 6 years with preliminary debt service. Ms. Arnold reviewed an example of the project scheduling, an noted that project managers make sure that there are adequate resources and thoroughly plan out all projects.

There was a question from Commissioner Worrell regarding the graph entitled Expenditures by Project Phase, he asked why maintenance would be a part of new capital construction.

Ms. Arnold stated that what she classified as maintenance on the graph was actually the interceptor inspection and cleaning projects. She noted that NBC maintenance crews in their taping, inspection and cleaning of interceptors sometime encounter potential problems and issues that may require construction.

Commissioner Worrell stated if there is a determination that there may be a problem it would seem to him that it would become a part of the ongoing operational budget.

Ms. Giebink stated that it is part of NBC's overall process to maintain our infrastructure so labeling it as maintenance may be a misnomer. Every year 2 million dollars is allocated to inspection and cleaning. In addition to that we program annually 3 million dollars for construction and repair.

Commissioner Gray asked if a damaged interceptor is replaced if it comes out of construction.

Ms. Giebink stated that it would. She noted that inspections and cleaning are not just a truck going out with a camera they are significant contracts that go out to bid. One piece is in general funded out of restricted carry forward and the other piece would be a larger construction contract the would be prepared and go out to bid.

Commissioner Worrell asked if the PUC has had any issue regarding where items are budgeted whether it is operating or capital.

Ms. Giebink stated that these projects typically are funded through the restricted carry forward. NBC has to generate 125 percent of principal and interest in our rates so we pay off our principal and interest leaving NBC with a piece of 7 to 9 million dollars every year. The PUC has allowed NBC to use those funds for operating capital outlays as well as pay as you go capital outlay which these projects would qualify for.

This concluded the CIP presentation. There were no other questions from the Committee.

Commissioner Mesolella advised the Committee with regard to the CIP that he has previously discussed with the Executive Director that the current Federal Administration had been talking about a 150 to 200 million dollar Infrastructure Improvement Stimulus Program for sanitary, water, bridges, etc., but that the plan has been abandoned in lieu of \$ 600.00 per taxpayer stimulus program. He stated that a provision of the Infrastructure Improvement Stimulus Program was that it was for projects that were on the shelf, ready to go immediately. Those agencies that had ready projects would receive those funds. He noted that NBC did not have any projects ready to go into the ground. Therefore he stated that at some point after further consultation with Executive Director he will be coming back before this Committee to ask them to consider allocating the resources for design of a future project which is not necessarily ready to go into construction, but would meet the requirements should the Federal Government decide to go ahead with a stimulus program.

Commissioner Farnum motioned to approve Resolution 2006:16, Fiscal Year 2010-2014 Capital Improvement Program, Commissioner Worrell seconded the motion, and the vote taken by the CEO Committee was unanimous. The motion carries.

4. Other Business

There was no other business to report.

5. Adjournment

A motion to adjourn was made by Commissioner Montanari , seconded by Commissioner Farnum and the CEO Committee meeting adjourned at 10:10 a.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Raymond J. Marshall".

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