



OFFICIAL MINUTES OF:

Meeting of:	Finance Committee
Date:	September 26, 2007
Time:	10:30 AM

MEMBERS PRESENT

Vincent J. Mesoletta, Chairman
Raymond Marshall, Executive Director
R. David Cruise
Les Gray
Leo Thompson
Jonathan Farnum

MEMBERS ABSENT

George Redman, CAC
Angelo S. Rotella, Vice Chairman
Robert Andrade, Finance Chair
Joseph Kimball
Michael DiChiro

STAFF AND GUESTS PRESENT

Karen Giebink, NBC
Francie Brown, NBC
Paul Nordstrom, NBC
Leah Foster, NBC
Anamaria Clarkin, NBC
Joanne Maceroni, NBC
Joseph Pratt, LBG

Jean-Marie Grossi, NBC
Thomas Uva, NBC
Richard Bernier, NBC
Daniel Smith, NBC
Sherri Arnold, NBC
Richard Burroughs, NBC Commissioner
Harold Gadon, CAC

1. Call to Order

Due to the fact that Finance Chair Andrade was absent, Chairman Mesoletta chaired the September 26, 2007 Finance Committee meeting. Noting that a quorum was not present, Chairman Mesoletta called the September 26, 2007 Finance Committee meeting to order at 10:33 a.m.

2. Approval of Minutes - June 20, 2007 Joint LRP/Finance Committee Meeting

With no quorum present, the minutes of the June 20, 2007 Joint LRP/Finance Committee meeting were tabled until the next meeting of the Committee.

3. Items for Action

A. *Review of Monthly Financial Statements*

Ms. Karen Giebink referred to the August 2007 Monthly Financial Report. With respect to Budget versus Actual, she noted that we are approximately 16.7% of the way through the fiscal year, and we are spending below budget at 15.1%. She noted that under "Personnel," the FTE's were at 96% of the budgeted positions that are filled, and that is one of the most significant reasons that we are running under budget at this point. Ms. Giebink noted that on Page 2 of the report, we completed our July billing at approximately \$14.3 Million which was 93% of what we had projected. Therefore, the decline in consumption billings continues. She noted that in the fourth quarter, we took a significant hit last fiscal year, so we are still seeing the decline in consumption. The other issue was that we had not received the meter readings from Cumberland, and is not reflected in the July 2007 billing. Commissioner Farnum asked if the decline would continue through the year as being a little under budget? Ms. Giebink answered that we are hoping that this will turn around, but most of the other water suppliers have also experienced a decline in their consumption revenues. She stated that one of the things we have done to address it from a cash flow perspective is that we have accelerated the billing for Pawtucket and Cumberland for this quarter, so those bills should go out on October 1, 2007, and the remainder of the billings will go out three weeks after that. She noted that it is anticipated at this point the need to file for an adjustment to our consumption rate base if we do not see some sort of a turn-around.

Commissioner Gray asked if there was a reason why the consumption was down. Ms. Giebink stated that we still need to perform some analyses on the matter. She noted that we have contacted the Providence and Pawtucket Water Supply Boards, and one of the causes is the fact that many of the larger industrial customers have left the service area; but, we have also seen a decline in the residential and commercial reserves as well. She stated that it could be factors of weather, rainfall, temperature and things of that nature. She stated that it does not impact us from the Financial Statement perspective; we still finished the year with an operating surplus, but we are really starting to feel it from a cash flow prospective.

Mr. Giebink noted that with respect to Receivables, we have also noticed a slight increase over the last twelve months, which also adversely impacts our cash flow. She noted that in July and August of 2007, we collected \$1.1 Million through water shutoffs, and we budgeted an additional \$350,000. On Page Three, Cash and Investment balances total approximately \$85.5 Million. She noted that we made our largest debt service payment ever on September 1, 2007 at \$18.5 Million, and Investments are detailed under Item B. On Page Four, under Long Term Debt Summary, as well as the Outstanding Debt Summary, Ms. Giebink pointed out that we now have fully expended the SRF Pool Loan No. 10. She noted that on Page Five is a summary of the Available Capital Funds in the amount of \$53.4 Million, and on Page Six are the Capital Payments by Month and Source and they have dropped off somewhat over the last few months and they are anticipated to increase again as we proceed with some of our major contracts. She stated that attached to the 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.

Commissioner Gray asked what would happen if NBC had a cash flow problem. Ms. Giebink stated that right now because of the Trust Indenture there is a flow of funds that set forth, so we would talk to bond counsel to see if there is a way to move the funds around so that we would be able to meet our Operations and Maintenance costs. She noted that she does not think it would be an issue at this point, because we made adjustments to the billings. She further noted that one of our other options is to issue a credit line for which we would need to come back before the Board to request the authority to have a credit line. She noted that we had a credit line in-place for many years and never had the need to use it. Another option we just became aware of that may be available to us is to not fund our restricted accounts. She stated that with the last Report and Order from the Public Utilities Commission, 53% of our receipts from user charges are restricted, which is huge. She noted that if we do not have sufficient cash to fund that, what some of the other water utilities have done is they have petitioned the Public Utilities Commission to not fund those accounts, so we could use that cash as well. Commissioner Gray asked if it makes sense to have a credit line in-place now. Ms. Giebink stated that she could come back to the Board in October with a resolution for that.

Ms. Giebink stated that the figure would fluctuate somewhat and would also be a matter of the timing of our billing. She noted that our April billing was slightly delayed and this would be calculated as of the end of the month, so that could skew that figure slightly. She further noted that she has plotted out the Receivables on a twelve-month moving average basis and they are increasing slightly. Chairman Mesolella stated that he was not surprised and he said we should be anticipating more of this.

B. Consideration of Purchase Requisitions

Mr. Marshall stated that included in all Committee members' packets is a list of year-to-date budget transfers by month. He noted that they do not require any action on the Committee's part, but we are required to report those to you, as well as the information on the green sheets which show the purchase requisitions that are greater than \$10,000 which also do not require Committee approval, but are required to report this information to the Finance Committee.

C. Consideration of Personnel Actions

None.

D. Review and Approval of Resolution 2007:24, Authorization to File a Compliance Filing for Rate Relief Related to Debt Service and Debt Service Coverage with the Rhode Island Public Utilities Commission

Chairman Mesolella stated that the next order of business is Item D, Review and Approval of Resolution 2007:24. Ms. Karen Giebink stated that the Public Utilities Commission's Report and Order from Docket 3483 provided a mechanism for programmed rate relief through a compliance filing, which is an abbreviated filing mechanism. She noted that this has allowed us to finance our Capital Improvement Program (CIP) on an uninterrupted basis. It was noted that Resolution 2007:24 would authorize the NBC to make such a filing, and the proposed effective date of the new tariffs is July 1, 2008 and is designed to generate revenues that will support NBC's borrowings this fiscal year based upon current cash flow projects and available funds. More specifically, this would allow NBC to execute the \$25 Million borrowing from the RI Clean Water Finance Agency that we need to continue to fund our Capital Program.

Ms. Giebink noted that she has heard from the RI Clean Water Finance Agency, and they believe that there is some zero fund money available for that loan and to reduce the cost of that loan further and that she was very please to hear that. She noted that our current Revenue Requirement is \$71.5 Million, and by using this figure as a base, staff is requests the authority to file a compliance filing for rate relief related to debt service and debt service coverage that will result in an increase of not more than 5% over the currently approved total revenue requirement effective July 1, 2008.

Chairman Mesolella asked Ms. Giebink if this was the Trust Indenture requirement for debt service. She stated that there is covenant set forth in the Trust Indenture, as well as the credit rating agencies look at our coverage when they are reviewing this. Chairman Mesolella asked if this is to maintain compliance with the Trust Indenture or is to protect our credit rating. Ms. Giebink replied that it is for both, because what this would do is allow us to demonstrate that we have within our rates 125% of principal and interest. She noted that without this in-place, we would not be able to achieve that ratio.

With no further comments or questions, Chairman Mesolella noted that due to the fact a quorum is not present, this matter will be brought to the full Board at their 11:00 AM meeting for review and approval.

E. Review and Approval of Resolution 2007:25, Authorization of the Narragansett Bay Commission to Amend the Definition of "Permitted Investments" in the Trust Indenture of the

Narragansett Bay Commission Pursuant to Section 901(11) Thereof and Authorization and Approval of the Execution and Delivery of a Supplemental Indenture to Effect Such Amendment

Ms. Giebink stated that this item is a housekeeping matter. The purpose of this Resolution is to amend the definition of "Permitted Investments" to provide for more flexibility in appropriate investments for the funds and accounts held by the Trustee under the Indenture, and our Trustee is Wells Fargo. When the Indenture was originally executed, similar language was incorporated in to the body of the 1st Supplemental Indenture as opposed to the body of the Indenture itself. Therefore, she stated that legal counsel has recommended the modification of the definition of Permitted Investments through a Supplemental Indenture that will apply to all funds and accounts held by the Trustee, as well as any new funds or accounts governed by the Indenture. A copy of the draft Eighth Supplemental Indenture was provided to all Committee members for their information.

Chairman Mesolella asked if this would be in compliance with the State Investment Commission. Ms. Giebink answered, yes and it will also help to ensure that we have the best options available to us.

Chairman Mesolella noted that this item will also be brought to the full Board for their consideration due to the fact a quorum is not present.

E. Review and Approval of Resolution 2007:26, Authorization to Approve and Accept the Comprehensive Annual Financial Report for Fiscal Year 2007

Ms. Giebink stated Ms. Patricia Boucher is here today from Bacon & Company CPA's LLC to review the Narragansett Bay Commission's Draft Comprehensive Annual Financial Report for Fiscal Year 2007.

Ms. Giebink noted that Ms. Boucher will review the highlights of the NBC Comprehensive Annual Financial Report for Fiscal Year 2007 at this time, and will then give a more detailed report at the full Board Meeting at 11:00 AM for their consideration and approval.

Ms. Boucher thanked NBC staff for being very cooperative with furnishing all the financial information she requested during the audit process and noted that the audit was completed in a timely fashion. She noted that there is no Management Letter, and no findings with the Internal Control of the Compliance Report. It was noted that the main item is the auditor's opinion, which was a clean and unqualified opinion, which means NBC's statements were presented in conformance with the standards.

Ms. Patricia Boucher gave a brief presentation on the NBC Comprehensive Annual Financial Report for Fiscal Year 2007 and noted that she would give a detailed presentation on the Report to the full Board at their 11:00 AM meeting.

4. Other Business:

None to report.

5. Adjournment

With no further business to come before the Committee, Commissioner Cruise motioned to adjourn. Commissioner Farnum seconded the motion, and meeting adjourned at 11:07 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Raymond J. Marshall". The signature is fluid and cursive, with a large initial "R" and "M".

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