



**OFFICIAL MINUTES OF:**

Meeting of:	Finance Committee Meeting
Date:	March 5, 2008
Time:	10:30 a.m.

**MEMBERS PRESENT:**

Vincent J. Mesolella, NBC Chairman  
Michael DiChiro  
John MacQueen  
Jonathan Farnum  
Leslie Gray, III  
Joseph Kimball  
Leo Thompson

**MEMBERS ABSENT:**

Robert Andrade, Treasurer  
R. David Cruise  
Richard Oster

**STAFF AND GUESTS PRESENT:**

Raymond J. Marshall, Executive Director  
Thomas Brueckner, NBC  
Terry Cote, NBC  
Karen Giebink, NBC  
Richard Bernier, NBC  
Deborah Samson, NBC  
Joanne Maceroni, NBC  
Jamie Samons, NBC  
Laurie Horridge Bissonette, NBC  
Leah Foster, NBC  
Steve Whitney, State Senate  
Karen Grande, Edwards, Angell, Palmer & Dodge  
Maureen Gurghigian, First Southwest Company

Thomas Uva, NBC  
Joseph Pratt, Louis Berger Group  
Harold Gadon, CAC  
Frances Brown, NBC  
Sherri Arnold, NBC  
Joseph DeAngelis, NBC  
Richard Bernier, NBC  
Karen Musumeci, NBC

**1. Call to Order**

Recognizing that a quorum was present Chairman Mesolella called the Finance Committee to order at 10:52 a.m. in the absence of Chairman of the Finance Committee Robert Andrade.

**2. Approval of the Minutes – January 23, 2008 Finance Committee**

Commissioner Farnum moved that the minutes of the January 23, 2008 Finance Committee be approved. Commissioner Gray seconded the motion. The vote taken by the Committee was unanimous. The motion carries.

### 3. Items for Action

#### A. *Review of Monthly Financial Statements and Expenditures*

Ms. Giebink submitted a sheet to the Commissioners to update her monthly report. Ms. Giebink summarized the January 2008 monthly financial report. With respect to Budget vs. Actual approximately 58.3 % of the way through the fiscal year spending is under budget at 55 percent. The number of full budgeted positions is 241. Page 2 of the report reflects user fee billing is \$47.3 million year to date. NBC is billing less than projected and it appears the issues are related to consumption revenues. With respect to the receivables and in response to Commissioner Nathan's request a comparison from the January 2007 financial report is included. It shows that the total amount outstanding remains stable, however noted was last year prior to switching over to the new billing system account aging was based on 91 to 150 days and over 150 days and has since been adjusted to 91 to 120 days and over 120 days.

Ms. Giebink stated that page 3 of the report needs to be replaced since one of the figures under the investment revenue fund Citizens PIP was entered as a text item as opposed to being formatted as a number and total investments are \$ 59.5 million. Page 4 of the report Notes, Bonds and Loans, NBC vs. the BMA, there has been a divergence and NBC is trading above the index. Outstanding debt is \$469.6 million. Page 5 available Capital Funds are \$61.8 million and NBC is currently spending down the available revenue bond proceeds and will begin spending the most recent SRF proceeds in March. Page 6 shows the capital payments by month and source and demonstrates that NBC is spending the revenue bond proceeds.

Ms. Giebink noted the attachments to the Monthly Financial Report include the Statement of Revenue Expenses, Statement of Net Assets and Changes in Net Assets as well as the detailed Budget vs. Actual.

#### B. *Consideration of Purchase Requisition*

Mr. Raymond Marshall noted two reports for the Commissioners, the first Budget Transfers for the month of January and Purchase Requisitions greater than 10,000 which have already been approved by the Commissioners as part of the budget. There is no additional action required and they are submitted for reporting purposes.

#### C. *Consideration of Personnel Actions*

None.

#### D. *Review and Approval of Resolution 2008:10; Contract for Financial Advisory Services*

Ms. Giebink stated that on January 9, 2008 the NBC issued an RFQ/P for financial advisory services and received two (2) requests for the RFQ/F. The deadline for submission was Friday January 25, 2008. NBC received one response from First Southwest Company. First Southwest Company has been NBC's financial advisor for the last several years and has provided NBC with excellent service. The proposed fee structure is fairly consistent with NBC's current structure with the exception that the annual retainer is increased by \$ 5,000 however there is no separate fee for the rating agency presentations. Also the fee structure associated with the bond issue is

slightly different however it is consistent. The term of the contract is three (3) years with an option for an additional three (3) years.

Ms. Giebink based upon a review of the submittal makes a recommendation for the selection of First Southwest Company for Financial Advisory Services in accordance with the scope of work outlined in the RFQ/P.

Commissioner Farnum moved to approve Resolution 2008:10 Contract for Financial Advisory Services. This motion was seconded by Commissioner Gray and the vote taken by the Finance Committee was unanimous. The motion carries.

*E. Review and Approval of Resolution 2008:11; Authorizing the Substitution of the Credit Facility, for the Conversion of, and the Refunding of all or a Portion of the Outstanding Narragansett Bay Commission Wastewater System Revenue Bonds, 2004 Series A*

In 2004 NBC issued \$70 million in wastewater system revenue bonds. These bonds were issued in a multi-modal form primarily to enable NBC to take advantage of lower short term interest rates and provide for flexibility. Since the original issue, they have been outstanding as Variable Rate Demand Bonds (VRDBs) priced in weekly mode with a liquidity facility provided by Dexia Credit Local in the form of a Standby Bond Purchase Agreement and insured by MBIA. Current market conditions have become volatile and it has impacted the municipal market. The purpose of this Resolution is to enable NBC to act quickly should it be determined that it would be in NBC's financial interest to modify the current structure.

Ms. Giebink stated that there have been numerous news reports regarding the impact of the fall-out in the U.S. sub-prime mortgage market and the effects have rippled through to the municipal market. Historically, bond insurers provided insurance guarantees for issuers of relatively risk-free municipal debt ("monoline" insurers). However, during the past few years these monoline insurers began guaranteeing securities backed by sub-prime mortgages. These investments have suffered significant losses, reducing the bond insurers' capital and adversely impacting their coveted AAA credit ratings. Two of the largest monoline insurers, FGIC and AMBAC were downgraded. NBC's insurer, MBIA has maintained its triple-A ratings but has been placed on a Negative Watch by all three rating agencies. Only one of the large insurers, FSA, has remained untouched by the sub-prime mortgage market problem.

NBC'S VRDB program has been impacted by MBIA'S credit issues. Historically NBC's VRDB's have traded consistent with SIFMA (an industry index) however, institutional investors are concerned about reducing their exposure to monoline insurers and the potential impact on Standby Bond Purchase Agreements. As a result, NBC'S VRBD has traded 40 to 104 basis points higher than SIFMA during the last four weeks. Although the spread is significant, it is important to keep in mind, however, absolute rates remain low.

Given the current market volatility it is important that NBC have the flexibility to act quickly and protect its financial position. Fortunately NBC's legal framework supporting this issuance is well crafted and provides NBC with several viable alternatives. Some of the options that NBC is currently considering include:

1. No change to the existing VRDBs
2. Remain in VRDB mode and replace MBIA insurance with FSA
3. Replace MBIA insurance with a Letter of Credit
4. Convert the VRDBs to fixed rate FSA insured bonds
5. Convert the VRDBs to fixed rate uninsured bonds

NBC is working closely with its Financial Advisor to explore and evaluate these options. Passage of this resolution will authorize the Chairman and the Executive Director, on behalf of NBC, to take the appropriate action that will result in financial benefit to NBC.

Ms. Giebink stated that she spoke with Robert Andrade, Chairman of the Finance Committee and he is in support of this Resolution.

Chairman Mesolella stated that NBC recently issued a request for qualification/proposals for investment banking services and a number of firms responded. Of those applying four of the firms were interviewed. In discussions relating to who would provide services to NBC it was noted that each firm had their own strategy/style as to how NBC would manage its debt. However overall it was agreed that the plan of action NBC was considering was prudent and that giving NBC's Chairman and Executive Director the ability to react to market conditions is very important.

Commissioner Kimball asked if NBC had settled on a plan of action.

Ms. Giebink stated that NBC has a number of options available including fixing out the debt long-term, and fixing out a portion of the debt long-term along with keeping a portion in variable rate mode. She stated that NBC's plan of action will be based on market conditions.

Commissioner Gray questioned what percentage of debt NBC has in the variable rate mode.

Ms. Giebink stated that at present NBC has 15% of its debt in variable rate mode.

Commissioner DiChiro moved to approve Resolution 2008:11 Authorizing the Substitution of the Credit Facility, for the Conversion of, and the Refunding of all or a Portion of the Outstanding Narragansett Bay Commission Wastewater System Revenue Bonds, 2004 Series A This motion was seconded by Commissioners Farnum and Mesolella and the vote taken by the Finance 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 Dichiro, seconded by Commissioner Farnum and the CEO Committee meeting adjourned at 11:15 a.m.

Respectfully submitted,



---

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