



**OFFICIAL MINUTES OF:**

Meeting of:	Joint LRP-Finance Committee Meeting
Date:	October 22, 2008
Time:	10:15 a.m.

**MEMBERS PRESENT:**

Vincent J. Mesolella, NBC Chairman  
Robert Andrade, Finance Committee Chair  
Jonathan Farnum  
Leslie Gray, III  
Joseph Kimball  
John MacQueen  
Alan Nathan  
Angelo Rotella  
Michael Salvatore  
Leo Thompson  
Harold Gadon, CAC

**MEMBERS ABSENT:**

Richard Brown  
R. David Cruise  
Michael DiChiro  
Richard Oster

**STAFF AND GUESTS PRESENT:**

Raymond J. Marshall, Executive Director  
Thomas Uva, NBC  
Pat Boucher, Bacon & Company CPA's, LLC  
Jennifer Harrington, NBC  
Leah Foster, NBC  
Francie Brown, NBC  
Rich Bernier, NBC  
Paul Nordstrom, NBC  
Jamie Samons, NBC  
Joanne Maceroni, NBC

Cecille Antonelli, NBC  
Steve Whitney, Senate Fiscal Office  
Deborah Samson, NBC  
Laurie Horridge Bissonette, NBC  
Karen Musumeci, NBC  
Maureen Gurghigian, FSC  
Joe Pratt, Louis Berger Group

**1. Call to Order**

Noting that a quorum was present Finance Committee Chairman Robert Andrade called the September 24, 2008 Joint Long Range Planning/Finance Committee Meeting to order at 10:20 a.m.

**2. Approval of Minutes – September 24, 2008 Joint LRP/Finance Committee**

Chairman Andrade asked for a motion to approve the minutes of the September 24, 2008 Joint Long Range Planning/Finance Committee meeting as written. Commissioner Macqueen moved to approve the minutes of the September 24, 2008 Joint Long Range Planning/Finance Committee as written. Commissioner Salvadore seconded the motion. The vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

**3. Items for Action**

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

Ms. Giebink reviewed the September 2008 monthly financial report. With respect to Budget vs. Actual, we are approximately 25 percent of the way through the fiscal year and we are spending below budget at 22.8 percent, filled positions represent 95 percent of the total budgeted positions. Page 2 of the report reflects user fee billings. At the end of September we had billed \$ 3.9 million for the Pawtucket portion of our service area. She noted that as of today billing has been calculated for the remainder of our service area and NBC will be looking to bill a total of \$ 17.5 million for the October quarterly billing which is 5.5 percent under what had been projected. She noted that although they are pleased with the billing a concern is the continued decline in consumption that NBC is experiencing and stated that this portion of the billing will continue to be monitored. With respect to the receivables located under item B she stated it is fairly consistent with the aging from the prior fiscal year. It indicates that the collection activity is effective. The Customer Service Department has been holding additional collection call nights during the past month to try and collect some of the receivables.

On Page 3 cash and investment balances total \$ 43.5 million the investments are detailed under item B. On Page 4, with respect to Long Term Debt this will be discussed further in a subsequent agenda item but she noted that the variable rate debt which is reflected in the chart entitled NBC vs. SIFMA Swap Index the short term rates have increased over the last month. Morgan Stanley NBC's investment banker has done a great job of successfully remarketing all of our VRDB's in response to what is going on in the financial world and most recently we priced at 2.25 percent which is below the index by almost 100 basis points. It appears that the short term rates are starting to come back down as the credit market loosens slightly.

Outstanding debt as of September 30<sup>th</sup> was \$ 415 million. Page 5 the available Capital Funds are \$ 37.7 million. Page 6 the Capital Payments are shown by month and source and we are spending the SRF proceeds.

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

With no questions from the Commissioners this concluded Ms. Giebink's report.

**B. Consideration of Purchase Requisition**

Mr. Marshall stated that there were no purchase requisitions requiring approval of the Committee. The Commissioners have received a report of eight items that were greater than \$10,000 which were part of the budget process that the Commissioners have already approved and is for reporting purposes only. There is also a listing of budget transfers for the month of September 08. There were some minor transfers totaling approximately \$ 46,000 that we would like to make the Commissioners aware of none requiring the Finance Committee's approval and they are submitted for reporting purposes.

C. Consideration of Personnel Actions

None.

D. Discussion of FY 08 Audit Note required by Accounts & Controls and the Auditor General

Ms. Giebink advised the Commissioners that they have before them her Memorandum which outlines the issue in some detail. Ms. Giebink stated that she wants to provide notification and information to the Finance Committee and the Board of Commissioners regarding the changes to the footnotes of the CAFR as well as other minor changes that were required as a result of information received subsequent to the Board's approval and acceptance of the CAFR on September 24<sup>th</sup>. She noted that NBC received additional information on September 26<sup>th</sup> which was 2 days after the Board had acted on this agenda item as NBC is required by statute to submit its audit by September 30<sup>th</sup>.

Ms. Giebink advised that NBC was required, based upon comments and information provided by Accounts and Controls of the Auditor General's office, to clarify Note 3 related to investments even though the criteria related to investments under GASB 40 has not changed since fiscal year 2005. She believes this year in response to all the news about GICs they were looking for additional clarification regarding risk. They also required us to include Note 16 related to OPEB or other post employment benefits which relate to the health benefit plan that our union employees participate in that is managed by the State of Rhode Island. She advised that this note received on September 26<sup>th</sup> was very extensive. It was a five page footnote which is the longest footnote that is now in our financial statements. Ms Giebink stated this might be the only year that this footnote appears in our financial statements as State Law requires that the State set up a trust fund in which case the trust fund will have its own set of financial statements and our reference will be significantly shorter in the future. The other two items that resulted from this information was the separation of the OPEB line item in the statement of net assets and there were also minor changes to the MD&A. She also noted that NBC has received an extension on the filing deadline from the Auditor General.

Ms. Giebink stated that Pat Boucher of Bacon & Company is here today to answer any questions the Finance Committee or the Board of Commissioners might have.

Commissioner Andrade asked if and when the trust fund is established, which would be separate and apart, would the Board be given annual information regarding the fund.

Ms. Boucher stated that it would be whatever the State requires but being that NBC is a component unit they would want to make sure that all component units agree with the State

Report. She is not sure when it would be available to the Board but noted it is a public document.

E. **Review and Approval of Resolution 2008:30**, Ratification of the Acquisition of the Providence Animal Control Facility and a Portion of Service Road

Chairman Mesolella stated that in 2002 the Board of Commissioners gave authorization for NBC to begin the condemnation process in regards to Service Road, the City Dog Pound and the

Transfer Station for the future planned expansion of the NBC campus. In fact prior to 2002, in 1990 the Narragansett Bay Commission during the construction of our grit facilities had discussions with the City of Providence regarding our interest in acquiring certain properties the City owned adjacent to NBC facilities.

The NBC Board has been aware of the expansion plans and had authorized the Chairman, Executive Director, and the Chairman of the Long Range Planning Committee at the time to negotiate the acquisition and subsequent condemnation of the Dog Pound, Service Road and the Transfer Station.

Chairman Mesolella advised that what they felt would be a fairly easy process ended up being quite contentious. Discussions with the City which began again in 2002 were fruitless. Approximately 1 ½ years ago the Board authorized the Chairman and the Executive Director to move forward with condemnation procedures. NBC went before the State Properties Committee and they approved the condemnation of the road and the dog pound. NBC was required by law to record the condemnation within six months of the approval by the State Properties Committee. NBC notified the City of Providence and recorded the condemnation of a portion of Service Road and the Dog Pound. We are presently in negotiations with the City regarding the dog pound situation and are expected to meet with City officials in early November.

The Chairman asked the members of the Board to formally ratify the prior actions of the Board by Resolution 2008:30.

Commissioner Salvatore motioned to approve Resolution 2008:30, Ratification of the Acquisition of the Providence Animal Control Facility and a Portion of Service Road. Commissioners Gray and MacQueen seconded that motion. There was further discussion on the motion Commissioner Farnum asked if the million and half dollars included the construction of the new dog pound. Laurie Horridge Bissonette advised the Board that it would include the construction if the City accepts. Commissioner Andrade asked if NBC was still looking to acquire the Transfer Station. Chairman Mesolella stated that NBC is still interested in the Transfer Station property and that this matter would come before the Board next month in a Resolution. After all questions were answered the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

F. **Review and Approval of Resolution 2008:31**, Resolution of the Narragansett Bay Commission Authorizing the Conversion of the Interest Rate Mode of All or a Portion of the Outstanding Narragansett Bay Commission Wastewater System Revenue Bonds, 2008 Series A

Ms. Giebink stated Maureen Gurghigian of First Southwest Company was here to review the current market conditions and provide the Board members some background information concerning this agenda item.

Ms. Giebink passed out to the Commissioners a brief presentation entitled Current Market Conditions.

Ms. Gurghigian stated that the Narragansett Bay Commission has some variable rate debt outstanding and noted that the financial crisis embroiling the nation is impacting the municipal market as well. In order to be prepared, NBC's debt on a regular basis is monitored by NBC's Chairman, Chief Financial Officer, Executive Director, First Southwest, and the Finance Committee. It is recommended that NBC have maximum flexibility to change the mode of its variable rate debt should market conditions warrant.

Ms. Gurghigian directed the Commissioners attention to a graph on Page 1 of the presentation which recaps the events since the beginning of September showing what has happened to the Dow Jones Industrial Average vs. the 30 year Municipal Market Data Index. The rate on municipal bonds has moved up from the mid 4 percent range to just about 6 percent.

On Page 2, the graph at the top of the page summarizes what the impacts have been on the municipal market. There is a lack of supply as issues were pulled from the market in September because of high rates. Issuers that needed to come into the market were delaying there issues and supply has been building. The graph at the bottom of the page shows the weekly issuance. Usually in any given week it ranges from 5 to 10 billion dollars. She noted that the September issuance was very low but advised that it appears to be slowly coming back. Short and long term rates have both spiked. The index that NBC's variable rate bonds are priced off is SIFMA. It's ranged from 1.6 percent in August, peaked at 7.96 percent in September and is back down to 3.45 percent. She noted that Ms. Giebink mentioned in an earlier report we expect it to price in the mid 2's today. Ms. Gurghigian stated that it is extremely important to note that even during this period of turmoil NBC's variable rate bonds have priced below the index. Page 3 gives some historical perspective on interest rates on one-year bonds and Page 4 which we would have the most interest in is the historical information on short term interest rates. It shows the 25 year minimum, maximum and average as well as the spot rate for October 15<sup>th</sup>. She advised that both the revenue index which is for long term bond vs. the SIFMA index which is for a weekly variable rate bond are both back to the historical averages over the 25 years. The last item reviewed with the Board was on Page 5 which demonstrates why this refunding was done. Ms. Gurghigian stated that originally the variable rate bonds were insured by MBIA which was AAA insured. There have been a lot of downgrades in the insurer industry and she advised that it is very unlikely that investors will be interested in insured bonds for awhile because of the event risk associated with the insured ratings.

Ms. Giebink stated that these events precipitated submittal of this Resolution which would allow NBC to have flexibility with respect to conversion to an alternative mode for the variable rate debt. She advised that NBC would like to keep their options open and respond to the market if needed and therefore respectfully requests approval of the Resolution.

Commissioner Farnum motioned to approve Resolution 2008:31, Resolution of the Narragansett Bay Commission Authorizing the Conversion of the Interest Rate Mode of All or a Portion of the Outstanding Narragansett Bay Commission Wastewater System Revenue Bonds, 2008 Series A,

Commissioner MacQueen seconded the motion and the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

**4. Other Business**

None.

**5. Adjournment**

A motion to adjourn was made by Commissioner MacQueen, seconded by Commissioner Salvadore and the Joint Long Range Planning-Finance Committee meeting adjourned at 10:50 a.m.

Respectfully submitted,



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