

The Narragansett Bay Commission
One Service Road
Providence, RI 02905

(401) 461-8848
(401) 461-6540 FAX

Vincent J. Mesolella
Chairman

Raymond J. Marshall, P.E.
Executive Director



OFFICIAL MINUTES OF:

Meeting of:	Finance Committee Meeting
Date:	May 13, 2009
Time:	12:00 noon

MEMBERS PRESENT:

Vincent J. Mesolella, NBC Chairman
Robert Andrade, Finance Committee Chairman
Michael DiChiro
Jonathan Farnum
Joseph Kimball
John MacQueen

MEMBERS ABSENT:

Leslie Gray, III

STAFF AND GUESTS PRESENT:

Raymond Marshall, NBC Executive Director
Karen Giebink, NBC
Sherri Arnold, NBC
Francie Brown, NBC
Laurie Horridge, NBC
Paul Nordstrom, NBC
Richard Bernier, NBC
Thomas Uva, NBC
Karen Musumeci, NBC

1. Call to Order

Noting that a quorum was present Finance Committee Chairman Robert Andrade called the May 13, 2009, Finance Committee Meeting to order at 12:15 p.m.

2. Approval of Minutes – March 11, 2009 Finance Committee

Chairman Andrade asked for a motion to approve the minutes of the March 11, 2009 Finance Committee meeting as written. Commissioner Farnum moved to approve the minutes of the March 11, 2009 Finance Committee as written. Commissioner MacQueen seconded the motion. The vote taken by the Finance Committee was unanimous. The motion carries.

3. Items for Action

A. Review of Monthly Financial Statements and Expenditures
None.

B. Consideration of Purchase Requisition
None.

C. Consideration of Personnel Actions
None.

4. Other Business

A. Review of NBC's Draft Fiscal Year 2010 Operating Budget

Committee Chairman Andrade turned the meeting over to Karen Giebink for the budget presentation.

Ms. Giebink introduced Finance staff members Francie Brown and Sherri Arnold who work closely with her on the budget and noted that Francie Brown is responsible for the overall budget preparation and the final document. A copy of the NBC's draft FY 2010 operating budget, dated May 13, 2009, was passed out to the Committee members.

Ms. Giebink advised that there are still a lot of things that are in flux but we tried to present to the Finance Committee a balanced draft operating budget. She stated that NBC has a filing pending with Public Utilities Commission and that the final outcome has yet to be determined. Ms. Giebink stated that for planning purposes, they have used NBC's rebuttal position in order to present a balanced budget for the Commissioners to look at today. She noted that between today and the next time the Finance Committee meets to review and approve the final budget there will probably be a few adjustments.

Ms. Giebink began the presentation by referring the Committee members to Page 1 of NBC's Draft Fiscal Year 2010 Operating Budget and noted that it outlines what some of the considerations are when preparing the operating budget including the restricted funds, the fact that we are regulated by the PUC and that we also have a Trust Indenture. She noted that we have ten (10) Supplemental Indentures that govern the flow of funds and what we can use certain funds for and that all of this is taken into consideration when preparing the budget.

She noted that Pages 2 and 3 shows the budget schedule which began in September of 2008 and includes highlights of all the different activities that take place throughout the budget preparation process.

Ms. Giebink referred to page 4 that shows the FY 2009 budget projections. She noted that consumption based billings will be less than projected and that overall we are projecting that we will bill about 4% less than projected. She advised that projections were made for the balance of the revenue accounts as well as the expense accounts and that NBC will finish the year with a net income. Ms. Giebink noted that NBC will finish the year with a net income because debt service coverage is built into our budget at 125 percent of principal and interest. Ms. Giebink stated that the restricted carry-forward will be slightly less than budgeted. She referred to Page 5 and proceeded with a review of the revenue detail. She then referred to Page 6 and reviewed the FY 2009 expense.

Ms. Giebink turned the meeting over to Francie Brown to take the Commissioners through some of the FY 2009 expense specifics. Ms. Brown reviewed Personnel Costs on Page 7 with the Commissioners and discussed turnover. She also reviewed bio-solids, utility, and chemical costs on pages 8 through 11. There was a discussion regarding electricity usage at Bucklin Point.

Ms. Giebink referred to Page 12 that shows the draft operating budget for fiscal year 2010. Operating Revenues are projected to increase by 3.8%, including a 4.3% increase in user fee revenues. She noted that a good portion of the pending rate increase will be absorbed into the rate base correction. She then reviewed the individual revenue line items. She noted that with respect to O & M expenses, the budget includes a 5.8% increase in personnel, a 3.8 % increase in operating supplies and expenses, and a 10.4% increase in professional services. Ms. Giebink stated that NBC is still in the process of finalizing our debt service and program new debt especially in light of the fact that we have new loan amounts available from the RI Clean Water Finance Agency. She noted that operating capital outlays are 20.8% higher and that the restricted carry forward is slightly less than last year with the overall increase in total expense of 3.4% to achieve a balanced budget.

She referred the Commissioners to Page 13 for the detail of the revenues. Ms. Giebink stated that with respect to user fee revenues the billable consumption continues to be a concern and noted that the chart on Page 14 shows FY 2010 consumption is projected to be lower than FY 2009. She noted that the Fiscal year 2010 projected rate year consumption is the same figure that the Division is recommending as the base for the development of rates. Ms. Giebink also noted that the Division had filed testimony supporting the recovery of the incremental increase in revenue through flat fees which would increase our revenue stability.

Ms. Giebink noted that Page 15 outlines the Expense Assumptions including the long- term guidelines and the Strategic Plan. Ms. Giebink turned the meeting over to Ms. Brown to review the Short-term Guidelines on Page 16.

Ms. Brown reviewed the key short-term guidelines on page 16 as well as the detailed listing of budget adjustments on page 17 that were made in order to arrive at a balanced budget.

Next Ms. Brown reviewed the FY 2010 Operating Budget Significant Changes on pages 18 through 24. She advised that this budget included a higher employer contribution rate on union retirement benefits, \$255,000 for pension benefits and \$132,000 for retiree health insurance and \$175,000 for the funding of three new positions (which were included in the rate filing) for an additional laboratory technician to support increased analysis at the Laboratory and for two customer service representatives in Customer Service to support collections and monthly billing.

There was discussion regarding the position of the Division in pre-filed testimony to fund only 3 of the 4 requested positions. Ms. Brown stated that the chart on Page 18 shows the amount of sampling over the last four years and that it has increased 31 percent since 2005. There was considerable discussion about the need for both of the Lab Technician positions.

Ms. Brown advised the other two new positions are in the Customer Service department and that they are needed to support collections and monthly billing. She referred to the charts showing Customer Service workloads on page 19. There was discussion regarding the conversion to monthly billing.

Ms. Brown reviewed the bio-solids, utility and monthly billing costs and she referred to Page 24 regarding Operating Capital. The FY 2010 Operating Capital Outlay detail sheet was passed out to the Committee. She noted that Page 25 shows the five-year Capital Improvement Program with total projected costs for 2011-2015 of \$431 million. Ms. Giebink reviewed the Outstanding Items on Page 26 that highlight some of the uncertainties that we are facing as we try to finalize the Budget. She reviewed the rate case schedule and mentioned some of the potential case issues. Ms. Giebink advised that two other significant unknowns are the health insurance renewal and debt service. She mentioned that the long-term financial model needs to be updated once the capacity figures are available from the RI Clean Water Finance Agency. Ms. Giebink stated that staff is preparing the final budget document and that it will be presented to the Committee and the Board for adoption on June 17th.

There was discussion regarding continued declines in consumption revenue and how that may impact NBC's operating budget.

There was discussion regarding NBC's sewer user rates compared to other wastewater treatment providers and the amount of the bill when it converts to a monthly payment for an average rate payer.

There was discussion regarding the employer contributions to the union and non-union pension plans as well as the union retirement health plan. There was also discussion about the budgeted merit increases for non-union employees vs. the COLA and step increases for union employees. The Committee discussed concerns about parity between the union and non-union employees.

There was further discussion among the Finance Committee members regarding the parity issue between union and non-union employees. A motion was made by Commissioner Farnum that a Resolution be written and presented before the full Board next week in support of the original request for a 4.25 salary increase for non-union personnel. Commissioner DiChiro seconded the motion. The vote taken by the Finance Committee was unanimous. The motion carries.

After some discussion between the Committee members, concerning the Resolution, a motion was made by Commissioner Farnum to amend the Resolution to also include the funding for two laboratory technicians positions. Commissioner DiChiro seconded the motion. The vote taken by the Finance Committee was unanimous. The motion carries.

4. Other Business

None.

5. Adjournment

A motion to adjourn was made by Commissioner Mesoella seconded by Commissioner DiChiro and the Finance Committee meeting adjourned at 1:25 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Raymond J. Marshall". The signature is fluid and cursive, written in a professional style.

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