

The Narragansett Bay Commission
One Service Road
Providence, RI 02905

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

Vincent J. Mesoella
Chairman

Raymond J. Marshall, P.E.
Executive Director



OFFICIAL MINUTES OF:

Meeting of:	Finance Committee Meeting
Date:	May 27, 2010
Time:	8:30 a.m.

MEMBERS PRESENT:

Vincent J. Mesoella, NBC Chairman
Robert Andrade, Committee Chairman
Mario G. Carlino
Jonathan Farnum
Joseph Kimball
Joan Milas

MEMBERS ABSENT:

Michael DiChiro
Leslie Gray, III
John MacQueen

STAFF AND GUESTS PRESENT:

Raymond J. Marshall, NBC Executive Director
Thomas Uva, NBC
Anamaria Clarkin, NBC
Karen Musumeci, NBC
Leah Foster, NBC
Karen Giebink, NBC

Laurie Horridge Bissonette, NBC
Francie Brown, NBC
Sherri Arnold, NBC
Paul Nordstrom, NBC

1. Call to Order

Finance Committee Chairman Robert Andrade called the May 27, 2010 Finance Committee Meeting to order at 8:40 a.m.

2. Approval of Minutes – None.

3. Items for Action

Review of Monthly Financial Statements and Expenditures

None.

B. Consideration of Purchase Requisition

None.

C. Consideration of Personnel Actions

None.

4. Other Business

Review of NBC's Draft Fiscal Year 2011 Operating Budget

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

Ms. Giebink introduced the members of her staff, Leah Foster, Sherri Arnold, Francie Brown and Ana Maria Clarkin who worked together on the FY 2011 Operating Budget.

Ms. Giebink distributed the Narragansett Bay Commission's FY 2011 Operating Budget presentation to each member of the Finance Committee. She stated that a lot of work goes into preparing the Budget and that there are a number of outside factors which influence the budgeting process. She said that these factors include regulation by the Public Utilities Commission in regard to Restricted Funds and rate relief and adherence to NBC's Trust Indenture and thirteen Supplemental Indentures. She advised that the FY 2011 Budget preparation process began in September of 2009 and will culminate in June of 2010.

Ms. Giebink reviewed the FY2010 Budget in regard to revenues, including a discussion of budgeted vs. projected revenues, billed consumption, billable consumption, unbilled consumption write-off,

cumulative billings, and the revenue fund cash balance. She also reviewed the FY 2010 budgeted vs. projected actual expenses. This included a review of personnel costs, operating and maintenance costs by major line item, and debt service.

Ms. Giebink answered questions from the Committee members regarding the decline in FY 2010 user fees, miscellaneous income, investment income, unbilled adjustments, changes that occurred when the NBC went from quarterly billing to monthly billing, and PUC filings and approvals.

With no further questions from the Committee members regarding the FY 2010 Budget review, Ms. Giebink reviewed the NBC's FY 2011 Draft Operating Budget.

She stated that overall we are looking to decrease our FY 2011 Operating Budget from last year. She added that operating revenues are projected to be slightly lower than last year's budgeted amount and that non-operating revenues are projected to be slightly higher. On the expense side, she stated that FY 2011 budget for operations and maintenance expenses and debt service are also lower than the amounts budgeted in FY 2010. She added that capital outlays and the restricted carry-forward budget amounts are higher in FY 2011.

She directed the Committee Member's attention to Page 13 which discusses the FY 2011 Projected Revenues. The projected user fees in FY 2011 show a decrease of approximately \$2 million dollars from the prior year. She added that this was due to net impact of approved rate increases versus what was included in the FY 2010 budget. She added that NBC has an approved rate increase of 2.25% for debt service and debt service coverage going into effect on July 1, 2010 and she stated that the revenue projections takes all of this into consideration.

In response to the Commissioners questions regarding decline in consumption Ms. Giebink advised that the most dramatic decline in consumption is in the industrial user consumption rate base which has just about disappeared. She added that NBC has also seen a decline in the commercial and residential consumption rate base.

NBC Chairman Mesolella stated that NBC is looking to expand NBC's user base to offset the decline in consumption and increase revenues. He noted that one example is in the Town of Johnston which has a lot of potential for expansion of our service area. To accomplish this NBC has assisted the Town of Johnston in the development of a Facilities Plan and has also had discussion regarding the expansion of our system into portions of Smithfield, Lincoln and Cumberland.

Ms. Giebink stated that the NBC's Strategic Plan Goals are outlined on Page 14 and that these serve as guidelines for the allocation of budgeted resources.

Ms. Giebink's review included the overall Operations and Maintenance Budget, Adjustments that were made to achieve a balanced budget and highlights of the Operating Budget Significant Changes. She discussed personnel expenses, operating supplies and expenses, operating capital and debt service.

She noted that overall there is a reduction of 1.7% in Operating and Maintenance Costs for FY 2011. With respect to personnel costs she noted that there are no COLA's budgeted for union employees and no merit increases are budgeted for non-union employees. She indicated that NBC's contribution rate to the RI State Retirement System on behalf of union employees and the State Retirement Health benefit on behalf of union employees has decreased from the prior year. She added that the amount budgeted for health insurance will also decrease from the prior year due to the cost savings from the change from Blue Cross/Blue Shield to United Health. She stated that the budget for electricity is higher due to a higher contracted supply rate and delivery charges which will offset projected lower usage. She added that because of operational efficiencies implemented by the operations staff the FY 2011 budgeted amounts for bio-solids disposal, hypochlorite, and sodium bisulfate will be lower. We have projected lower dry tons for biosolids disposal and lower projected usage of hypochlorite and sodium bisulfate. With respect to professional services, the FY 2011 budgeted amount for Bucklin Point management contract is lower due to a projected decrease in soda ash usage which is a pass-thru. FY 2011 budgeted debt service is lower than last year due to the highly subsidized nature of the ARRA funds that were borrowed in FY 2010. We were able to obtain ARRA funds because of insightful planning & diligent effort by the engineering staff.

Ms. Giebink also reviewed the Capital Improvement Program, Major Projects and Preliminary Rate Projections.

This completed Ms. Giebink's FY 2011 Draft Budget Presentation.

5. Adjournment

A motion to adjourn was made by Commissioner Farnum, seconded by Commissioner Carlino and the Finance Committee meeting adjourned at 10:25 a.m.

Respectfully submitted,



Raymond J. Marshall, P.E.

Executive Director/Secretary