

The Narragansett Bay Commission
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Vincent J. Mesolella
Chairman

Raymond J. Marshall, P.E.
Executive Director



OFFICIAL MINUTES OF:

Meeting of:	Finance Committee Meeting
Date:	September 22, 2010
Time:	10:00 a.m.

MEMBERS PRESENT:

Vincent J. Mesolella, NBC Chairman
Mario G. Carlino
Michael DiChiro
Jonathan Farnum
Leslie Gray, III
Joseph Kimball

MEMBERS ABSENT:

Robert Andrade, Committee Chairman
John MacQueen
Joan Milas

STAFF AND GUESTS PRESENT:

Raymond J. Marshall, NBC Executive Director
Thomas Uva, NBC
Linda George, Senate
John Zuba, NBC
Pamela Luey, NBC
Joe Pratt, NBC
Karen Musumeci, NBC
Leah Foster, NBC
Karen Giebink, NBC
Laurie Horridge Bissonette, NBC
Rich Bernier, NBC
Jamie Samons, NBC

Jennifer Harrington, NBC
Deborah Samson, NBC
Joanne Maceroni, NBC

1. Call to Order

NBC Chairman Vincent Mesolella in the absence of Finance Committee Chairman Robert Andrade called the September 22, 2010 Finance Committee Meeting to order at 10:15 a.m.

2. Approval of Minutes – June 23, 2010 Joint LRP- Finance Committee

Chairman Mesolella asked for a motion to approve the June 23, 2010 Joint LRP- Finance Committee meeting minutes as written. Commissioner Gray moved to approve the minutes of the June 23, 2010 Joint LRP-Finance Committee Meeting minutes as written. Commissioner Farnum 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 August 2010 monthly financial report. With respect to the Budget vs. Actual we are approximately 16.7% thorough the fiscal year and we are spending under budget. With respect to Personnel we currently have 99% of the budgeted positions filled. We have filled a number of positions needed in order to meet permit requirements, primarily staff at Interceptor Maintenance and Field's Point Operations. Ms. Giebink stated that User fee billings have increased slightly. She also noted that NBC has switched to estimating consumption bills using 95% of historical consumption to take into consideration the impact of adjustments after the actual readings are loaded. Ms. Giebink noted that even with the reductions in the consumption estimates NBC is billing over projections.

With respect to the receivables under Item B, she stated that the total receivables outstanding as of August 31, is \$11.6 million dollars.

Ms. Giebink stated on Page 3 of the report, cash and investments, total \$61.1 million and the investments are detailed under Item B. She said that Page 4 of the report there is some good news with respect to the Variable Rate Demand Bonds. NBC replaced the letter of credit (LOC) hat was previously with Citizens Bank in July 2010. The new LOC is with US Bank and since the LOC replacement, the pricing of the VRDB's has actually been below SIFMA, presently at 0.25%.

Outstanding debt is \$411 million. Page 5 shows that the available balance for Capital Funds is \$74.1 million. Page 6 shows the Capital Payments by month and source.

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

This concluded Ms. Giebink's report.

B. Consideration of Purchase Requisition

Mr. Marshall stated that there are no purchase requisitions that require the Committee's approval. We have provided the Committee members with a list of those that we need to report that are greater than \$10,000 along with a list of budget transfers for the months of June, July and August.

C. Consideration of Personnel Actions

None.

D. **Review and Approval of Resolution 2010:29;** Authorization to Approve and Accept The Comprehensive Financial Report for Fiscal Year 2010

Ms. Giebink introduced Pat Boucher of Bacon & Company, LLC., who will make the presentation before the Committee today. Ms. Boucher stated that she would review some of the highlights of the audit report with the Finance Committee and then give a detailed presentation at the Board of Commissioners meeting.

Ms. Boucher began with the review of the Independent Auditors Report and advised that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* , issued by the Comptroller General of the United States. The NBC received an unqualified or clean opinion. She reviewed the Management Discussion and Analysis which included Financial Statements, Highlights and Analysis, Capital Assets and Debt Administration, Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, Statement of Cash Flows, Schedule of Expenses-Budget and Actual, Combining Schedule of Net Assets, Combining Schedule of Revenues, Expenses and Changes in Net Assets.

Ms. Boucher also reviewed the Report on Internal Control over Financial Reporting and Compliance and stated that there were no deficiencies and no instances of non-compliance.

Ms. Boucher advised that there is no management letter this year and that the Auditor General's office has approved NBC's draft financial report.

This completed Ms. Boucher's report.

Commissioner Gray made a motion to approve Resolution 2010:29, Authorization to Approve and Accept The Comprehensive Financial Report for Fiscal Year 2010, Commissioner Farnum seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carries.

E. **Review and Approval of Resolution 2010:30;** Authorizing the Narragansett Bay Commission to Borrow an Amount Not to Exceed \$30,000,000 from the Rhode Island Clean Water Finance Agency and Authorizing the Commission to Issue an Amount not to Exceed \$30,000,000 in Revenue Bonds

Ms. Giebink advised that this Resolution is the traditional Resolution that is drafted by Bond Counsel that would authorize the NBC to execute a borrowing from the Rhode Island Clean Water Finance Agency. It will be the annual borrowing and RICWFA has estimated that there will be approximately \$30 million available to NBC for borrowing this fiscal year. A number of projects would be funded from the proceeds

of this transaction including the CSO Phase II Facilities as well as the Bucklin Point Nutrient Removal. This would be a loan at the traditional subsidized rate of one-third of NBC's market rate. The most recent borrowing back in June priced at about 2.2% and we anticipate a similar rate depending on when the transaction takes place.

Ms. Giebink advised that an increase in NBC's approved revenue requirement would be needed in order to support the debt service and debt service coverage on this loan. NBC will have to file a debt service compliance filing no later than 60 days before the transaction would close.

Commissioner Carlino made a motion to approve Resolution 2010:30, Authorizing the Narragansett Bay Commission to Borrow an Amount Not to Exceed \$30,000,000 from the Rhode Island Clean Water Finance Agency and Authorizing the Commission to Issue an Amount not to Exceed \$30,000,000 in Revenue Bonds. Commissioner Gray seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carries.

D. Review and Approval of Resolution 2010:31; Authorization to File for Rate Relief with the Rhode Island Public Utilities Commission (PUC)

Ms. Giebink provided a handout with a number of charts and graphs the Finance Committee members which support the Fall 2010 General Rate Filing- Draft Figures.

Ms. Giebink stated that this Resolution would give NBC the authorization to file for rate relief with the Rhode Island Public Utilities Commission (PUC) for an adjustment to the consumption rate base, increased operations and maintenance expense and debt service. She advised that staff is in the process of finalizing the rate filing and the projected rate increase is less than 15% with a proposed effective date of July 1, 2011. She advised that on July 1, 2009, the NBC implemented a rate increase of 10.73%. Nearly 75% of the rate increase was to adjust for the decline in the consumption rate base. The remaining balance of the rate relief was required for increased operations and maintenance expense. As part of the PUC Report and Order from that docket, the PUC also authorized the recovery of the incremental revenue through the flat fee portion only and approved the conversion to monthly billing. Effective July 1, 2010 the PUC approved a 2.17% increase for debt service and debt service coverage as a straight across-the-board percentage increase.

Ms. Giebink stated that despite the FY2010 adjustment to the consumption rate base and the rate structure modifications, NBC has continued to be adversely impacted by a decline in billable consumption. NBC billed approximately \$4.7 million less than the PUC authorized levels in the last fiscal year. She also noted that preliminary debt service and debt service coverage figures are \$3.6 million higher in the rate year than the amount currently built into the rates. Preliminary calculations show the FY 2012 rate year costs for operation and maintenance expenses at approximately \$1.5 million higher than the level currently built into the rates.

At this point in the filing preparation, it is estimated that approximately half of the rate adjustment is required to address the rate base, approximately 35 % is required for debt service and the balance is to support operations and maintenance. Ms. Giebink stated that the figures will be refined over the next two weeks and therefore this Resolution includes a not-to-exceed figure of 15%. It was also noted, that this

rate increase will be offset by any interim rate relief granted for the continued funding of the capital program.

The Committee approval of Resolution 2010:31 for Authorization to File for Rate Relief with the Rhode Island Public Utilities Commission (PUC) is hereby requested.

Commissioner Gray made a motion to approve Resolution 2010:31; Authorization to File for Rate Relief with the Rhode Island Public Utilities Commission (PUC). Commissioner Farnum seconded the motion and 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 Gray, seconded by Commissioner Kimball and the Finance Committee meeting adjourned at 10:55 a.m.

Respectfully submitted,



Raymond J. Marshall, P.E.

Executive Director/Secretary