

The Narragansett Bay Commission  
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Vincent J. Mesoella  
Chairman

Raymond J. Marshall, P.E.  
Executive Director



**OFFICIAL MINUTES OF:**

Meeting of:	Finance Committee Meeting
Date:	June 15, 2011
Time:	10:15 a.m.

**MEMBERS PRESENT:**

Robert Andrade, Committee Chairman  
Mario Carlino  
Jonathan Farnum  
Leslie Gray, III  
Joseph Kimball  
John MacQueen  
Vincent Mesoella  
Joan Milas

**MEMBERS ABSENT:**

Michael DiChiro

**STAFF AND GUESTS PRESENT:**

Raymond J. Marshall, NBC Executive Director  
Thomas Uva, NBC  
Karen Musumeci, NBC  
Leah Foster, NBC  
Joe Pratt, Louis Berger Group  
Paul Nordstrom, NBC  
Jennifer Harrington, NBC  
John Zuba, NBC  
Sherri Arnold, NBC  
Pamela Duckwork, NBC

Kelly Carpenter, Senate Fiscal Offices  
Rich Bernier, NBC  
Laurie Horridge, NBC  
Deborah Samson, NBC  
Jamie Samons, NBC  
Harold Gadon, CAC  
Meg Goulet, NBC  
Cecille Antonelli, NBC  
Karen Giebink, NBC

**1. Call to Order**

Finance Committee Chairman Robert Andrade called the June 15, 2011 Finance Committee Meeting to order at 10:18 a.m.

**2. Approval of Minutes – May 12, 2011 Finance Committee**

Chairman Andrade asked for a motion to approve the May 12, 2011 Finance Committee meeting minutes as written. Commissioner Carlino moved to approve the May 12, 2011 Finance Committee meeting minutes as written. Commissioner Farnum 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**

Ms. Giebink reviewed the May 2011 monthly financial report. With respect to the Budget vs. Actual, NBC is currently spending under budget at 83.9% and we are approximately 92.0% of the way through the fiscal year. She noted that personnel services are running pretty tight to the budget making this the closest to full budget spending in recent memory. Ms. Giebink stated that this is probably the result of the amount of budgeted turnover that was included in this year's budget. She noted that Operations and Maintenance and Special Services are still running significantly under budget as well. With respect to Debt Service, the Variable Rate Debt is pricing well below what we had budgeted. In terms of filled positions, 97% of the budgeted positions are currently filled.

She noted that Page 2 of the report under Item A, user fee billings through May, NBC had billed 102% of what was projected for the fiscal year. Overall, it is anticipated that we should bill at the projected budget level. With respect to the receivables under Item B, there is really good news, especially in this economic climate. Our receivables outstanding as of May 31, 2011 are lower than they were a year ago. This is a real testament to the collection efforts of both Customer Service and the lien sale that was held last month.

Ms. Giebink stated on Page 3 of the report, cash and investments total \$62.8 million and the investments are detailed under Item B. Page 4 of the report shows the NBC vs. SIFMA index chart. She noted that we are pricing below SIFMA, at this point, with the most recent pricing being was at 0.16 percent on \$61.6 million dollars. Outstanding debt is \$420 million.

She stated that Page 5 shows that the available balance for Capital Funds is \$85.3 million. Page 6, of the report shows 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 the Committee members have before them a list of Purchase Requisitions that were included as part of the Budget and are in excess of \$10,000. There are none that require the Committee's approval. They members also have a list of budget transfers for the months of April and May.

**C. Consideration of Personnel Actions**

None.

**D. Review and Approval of Resolution 2011:26; Recommendation for Use of Environmental Enforcement Funds**

Raymond Marshall advised that NBC had received a request for a grant in the amount of \$7,500 from the Environmental Enforcement Fund to continue the Narragansett Bay Commission's support of the Water Ways exhibit at the Providence Children's Museum.

For the past two years, the Commission has provided support to Water Ways, which is the Museum's most popular exhibit. In 2009, the Museum welcomed a record 162,000 visitors, all of whom had the opportunity to explore the properties of water and the aquatic world. The exhibit is also featured in the recent Commission video "Environmentalism at Work" as an example of the Commission's successful education and community outreach activities.

The regionally and nationally-acclaimed Museum is located in the Commission's service area, and targets traditionally underserved communities. In 2009, 28 percent of Museum visitors were welcomed for free, providing hands-on early science education to some of our service area's most vulnerable children and families.

In addition to providing a great service to the environment and to our community, sponsorship will generate positive press and ratepayer goodwill for the NBC.

There are adequate funds available in the Environmental Enforcement Fund to sponsor this worthwhile project.

Commissioner Kimball recuses himself.

Commissioner Farnum made a motion to approve Resolution **2011:26**; Recommendation for Use of Environmental Enforcement Funds. Commissioner MacQueen seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carries.

**E. Review and Approval of Resolution 2011:27; Recommendation for Use of Environmental Enforcement Funds**

Mr. Marshall stated that the Narragansett Bay Commission has received a request for Environmental Enforcement Funds to be used toward scholarships that will be awarded by the Leonard Walker Memorial Scholarship Program. The scholarship program was established at the Metropolitan Regional Career and Technical Center (MET School) in Providence in memory of Leonard Walker, a former NBC Commissioner.

Len Walker was both a dedicated NBC Commissioner with a keen interest in protecting Narragansett Bay and a strong proponent of providing educational opportunities to students in our urban center. The NBC honored Commissioner Walker's dedication to these two causes by annually making a contribution in his memory to the scholarship program. The EEF was established for just this purpose; promoting the environment and education.

We recommend contributing \$2,500 to the Leonard Walker Memorial Scholarship Fund to support the awarding of scholarships to MET School graduates who are continuing their education at the college level.

There are adequate funds available in the EEF and we recommend the approval of Resolution **2011:27** in the amount of \$2,500 for the Leonard Walker Memorial Scholarship Fund.

Commissioner MacQueen made a motion to approve Resolution 2011:27; Recommendation for Use of Environmental Enforcement Funds. Commissioner Farnum seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carries.

**F. Review and Approval of Resolution 2011:28; Narragansett Bay Commission's FY 2012 Operating Budget**

Karen Giebink advised Committee members that they have before them the Narragansett Bay Commission's FY 2012 Operating Budget. She stated that she would like acknowledge Rafael Cuello for the awesome cover on this year's budget and to acknowledge Sherri Arnold and Leah Foster as well as the Division Directors and Section Managers for their help on this year's budget.

Ms. Giebink stated that she would briefly review the document before them today as this Committee had previously met in May to review the proposed budget in detail.

She said that the document before them today is the final budget and indicated that she would page through the document and highlight items of significance. It begins with the Executive Directors Message and overall we are looking at a budget that is 4.2 percent higher than last year. The Executive Message outlines what will be going on and what is funded in the FY 2012 operating budget. It also highlights the FY 2011 and reviews some of our accomplishments with respect to the CSO Phase I Facilities, Debris Removal, Sampling, Capital Improvement Construction as well as some of the other department accomplishments.

The Budget also contains a section entitled About the Narragansett Bay Commission which outlines the history of the NBC, the Organizational Chart, Program Level Responsibilities and Overview, etc. Also, Page 20 of this section lists the top ten customers of the NBC and there has not been a significant change in terms of these customers, most of which are in the services industry.

Page 23 of the document outlines the Strategic Plan and shows how that is incorporated into the allocation of resources of the Budget. Page 29 is the Budget overview and Ms. Giebink advised that there are two changes in terms of the presentation between the Finance Committee on May 12 and this presentation. The first is in regard to the restricted carry forward and the way that we describe it in the Budget. It will now be listed under Debt Service Coverage because essentially this is what it is. This change was made because the prior terminology could be confusing. Also the Programmed New Debt is down significantly. When we reviewed the long term model we determined that there were some funds available that were not incorporated into the model so that reduced the Programmed New Debt by \$1.9 million.

Ms. Giebink stated that she would describe the significant budget changes from the prior year. With respect to revenues, User Fees are projected to increase by 3.3%, investment income to decrease by 94% and a revenue fund balance of \$800,000 is also included as a revenue source. With respect to expenses, personnel expenses are 4.5% higher, operating supplies and expenses are 1.1% higher and professional services are 9.2% lower. Debt service is 6.2% higher and operating capital is 13% higher. As a result, the overall budget is 4.2% higher. The debt service coverage ratio is 1.37 which exceeds our rate covenant requirement.

Budget assumptions are detailed on Page 31 and she noted that these were reviewed in detail at the May 12<sup>th</sup> Finance Committee meeting. She pointed out that with respect to debt service; NBC is assuming a 3.5% interest rate on new SRF issues and 5.5% on open market issues. With respect to turnover we are budgeting less turnover than the prior year, this will result in a 3.2 additional FTE's that will be funded. She noted that the historical overview is on Page 33, a discussion of revenues is on Page 34. She noted page 36 reflects a change in the flat fee revenue rate base due to an increase in the number of residential dwelling units in the last five years of 1.7%, a decrease in the number of non-residential meters of 1.1% resulting in an overall percentage increase of 1.5%. The change in the consumption rate base has lightened up a little bit we still are seeing a 17.2% reduction in the consumption rate base over the last five years, however the chart on the bottom of the page does show that it has leveled off.

Ms. Giebink stated that overall budget includes a 3.3% rate increase primarily for debt service. On the expense side, Page 40 the chart at the bottom of the pages shows the comparison of expenses by element. The largest increase is in operating capital outlay of 13% as well as debt service at 6.2% and personnel, is 4.5% higher. Ms. Giebink advised that the negotiated increase in the employee health care co-pay along with changing the provider of NBC dental coverage has offset the increase in NBC's total health care premiums, resulting in only a 0.4% increase overall.

Ms. Giebink noted that Electricity use is projected to increase as a result of the new facilities coming on-line at Fields Point. Bio-solids production has declined. With respect to chemical use we are seeing a slight increase at Field's Point, and a decline in soda ash use at Bucklin Point. Bucklin Point we are projecting a decrease in professional services for the Bucklin Point management contract of \$282,000.

Page 46 shows the Budget by Division. Budget Philosophy, Process and Policies begins on Page 49 explains the way NBC's funds work. She moved on to the Long-term Debt section and noted that this is where we incorporate the information from the Capital Improvement Program as well as the impact of the CIP on the Operating Budget and determine what our needs will be over the next six years. With respect to FY 2012 NBC is really ramping up the Capital Program projecting to expend over \$100 million dollars for the next 4 years. In FY 2012 we are planning on funding most of the CIP through unexpended SRF proceeds and \$17.3 million in ARRA proceeds both of which we already have borrowed, \$25 million in restricted funds and \$.1 million in capital funds. NBC plans on borrowing an additional \$12.75 million from the RI Clean Water Finance Agency. She indicated that over the six-year period, NBC is looking to issue approximately \$336 million dollars in Revenue Bonds.

Page 64 has a chart projecting how much outstanding debt we will have and we are projecting at the end of FY 2012 we will have \$483 million in outstanding debt. Ms. Giebink also briefly reviewed the Debt Service vs. Total Revenue, CIP Impact on the Operating Budget, The CIP, Division Summaries and Supporting Schedules.

This concluded Ms. Giebink's presentation.

Commissioner Farnum made a motion to approve Resolution **2011:28**; Narragansett Bay Commission's FY 2012 Operating Budget. Commissioner Gray seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carries.

- G. Review and Approval of Resolution 2011:29;** Authorizing the Narragansett Bay Commission to Borrow an Amount Not to Exceed \$750,000 from the Rhode Island Clean Water Finance Agency and Authorizing the Commission to Issue an Amount Not to Exceed \$750,000 in Revenue Bonds

Ms. Giebink stated the purpose of this Resolution is to enable NBC to borrow an amount not to exceed \$750,000 from the RICWFA through the State Revolving Fund program. It is anticipated that this borrowing will be used to finance a number of NBC capital projects including the CSO Phase II Facilities. These funds were originally designated for the Town of Johnston; however, the Town does not anticipate that it will be able to expend the funds. As a result, the RICWFA contacted NBC to determine if NBC was interested and had the capability of expending the funds.

NBC's capital financing needs are substantial and these funds are available at the traditional subsidy so it is in NBC's best interest to take advantage of the availability of these funds. Since NBC will be assuming the loan originally intended for the Town of Johnston, the interest rate has already been determined and has a subsidized yield of 2.775%.

Existing rates generate sufficient revenue for debt service and debt service coverage. NBC must still seek approval from the Division of Public Utilities and Carriers to enter into long-term debt and execute the loan.

We respectfully request the Committee's approval of Resolution 2011:29.

Commissioner Farnum made a motion to approve Resolution 2011:29; Authorizing the Narragansett Bay Commission to Borrow an Amount Not to Exceed \$750,000 from the Rhode Island Clean Water Finance Agency and Authorizing the Commission to Issue an Amount Not to Exceed \$750,000 in Revenue Bonds. Commissioner MacQueen 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 Farnum, seconded by Commissioner MacQueen and the Finance Committee meeting adjourned at 10:55 a.m.

Respectfully submitted,



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